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ABSTRACT

This document consists of three closely related reports, dealing with "State Governments", "Regional Councils", and "Local Econcomic Development Agencies", respectively, together with a fourth document, a preceding overview. These documents draw from results of a project to identify successful approaches to coordinating economic development and employment and training programs and to assist agencies that want to initiate coordination efforts. Three complementary reports describe how local economic development agencies, regional councils, and state governments can link the functions of economic development and human development, how the responsibilities and resources of the different levels of government can blend effectively, and how the public and private sectors can collaborate to meet both the needs of business and the needs of individuals. The first of these three reports describes how some state governments have successfully linked their employment and training and economic development programs. Lessons are drawn from nine case studies for other states that want to undertake similar efforts. A list of contact persons and 21 references are included. The second report, on regional councils, provides case studies to illustrate the approaches taken by councils in Virginia and Kentucky in playing a catalytic role in promoting public/private partnerships and developing more effective means for working with business. The third report, on local economic development agencies, describes types of linkages, illustrates through case studies the issues in the establishment of linkages at the local level, and offers recommendations for properly structuring linkages. (YLB)

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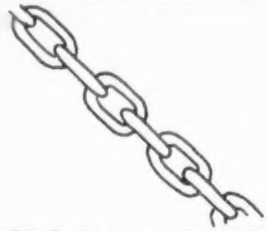

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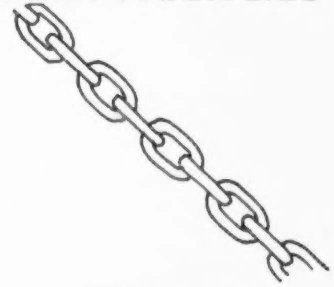

Coordinating Economic Development and Employment and Training

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MAKING THE LINK

COORDINATING ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

Overview

Linking economic development and employment and training programs makes good sense. Job creation is the most important goal of public investment in economic development; employment and training programs prepare people for work and place them in permanent, private sector jobs. By linking organizations and programs which have these missions, an important business need can be filled, and more jobs can be generated for the unemployed and the underemployed.

This overview draws from the results of a project funded by the Economic Development Administration to identify successful approaches to coordinating economic development and employment and training programs and to assist agencies that wanted to initiate coordination efforts. Reflecting the importance of collaboration among the various levels of government and between the public and private sectors, the project was carried out jointly by the National Alliance of Business, the National Association of State Development Agencies, the National Association of Regional Councils, and the National Council for Urban Economic Development. Three complementary reports describe how state governments, regional councils, and local economic development agencies can link the functions of economic development and human development, how the responsibilities and resources of the different levels of government can blend effectively, and how the public and private sectors can collaborate to meet both the needs of business and the needs of individuals.

Over time, the importance of making this link has increased. Trained labor has become a critical factor for many businesses, including traditional manufacturing firms that are struggling to compete with strong foreign competition, and service and "high tech" companies whose growth can be constrained if their human capital needs are not met. To a greater degree than ever before, the nation's economic strength depends on human capital — the education and skills of the work force. The demand for skilled labor will increase, but the pool of new workers will grow smaller, with the risk that a higher proportion of them will be poorly educated and untrained. The link between job creation and human capital, therefore, must be strengthened, and the responsibility for achieving that goal will fall primarily on state and local governments.

As trained labor has become a more significant factor in business investment decisions, the potential value of employment and training services in business investment incentive packages has increased. Initial labor costs can be reduced through training, referral, and placement services. The long-term productivity of a business can be increased by improving the attitudes and enhancing the skills of its work force. Employment and training programs, therefore, can be potent economic development tools.

When these programs are used this way, all of those involved benefit. Economic development agencies are better able to achieve their job creation objectives and to augment their resources for influencing investment decisions. Employment and training agencies can get access to more jobs for their clients. Businesses are supplied with a resource and realize significant cost savings. And, the unemployed get jobs.

Aggressive and innovative state and local agencies have demonstrated that much is to be gained by lowering the barriers to coordination, and those barriers can be formidable. They are rooted in differences in perspective between economic development and human development professionals, with the former oriented to business clients and the latter to the unemployed. These differences in perspective are made more concrete through separate agencies with diverse sources of funding, inconsistent requirements, noncongruent planning cycles, and different performance measurements, leading to all of the problems usually categorized as "turf."

Overcoming these barriers ordinarily requires a strong, clear policy that is reflected in well-conceived organizational arrangements and implemented with procedures that assure more than lip service to the objective of coordination. Linking human development and economic development is not a "business-as-usual" activity. It cannot be achieved in a simple, mechanical fashion by merely moving boxes on the organizational chart. It is likely to require strategies that are comprehensive and long-term, innovations that break with past practices, and entrepreneurship that sees and seizes opportunities. Mounting such an effort is not easy, but there are enough good examples of success to provide guidance for others who wish to try. Some of these examples, involving state governments, regional councils, and local economic development agencies are described below.

State Governments

Traditionally at the center of the human development system, state governments have strengthened that role with the enactment of the Job Training Partnership Act. They have also expanded and diversified their economic development programs in recent years. Some have successfully initiated systems for coordinating these responsibilities. For example:

- Illinois coordinates across program lines through the Department of Commerce and Community Affairs, in which most of the state's economic development programs are consolidated with the administration of the Job Training Partnership Act and industrial training.

- Nebraska has created a job training liaison to broker human development resources; the position is funded by the state's Department of Labor, but located in the Department of Economic Development. This liaison can tap all of the state's human development programs and some local JTPA funds to strengthen business incentive packages.

- In Texas, the governor's strong commitment to coordination is reflected and furthered by top officials, both in his office and in the development and employment agencies. Their cross-disciplinary backgrounds have facilitated their undertaking a variety of linkage activities.

Each of these states has developed organizational and procedural mechanisms for implementing its coordination policies and has carried out special programs. Illinois has targeted some of the state's JTPA dislocated worker funds for job-creation projects in enterprise zones. They also fund centers that aid businesses in obtaining federal contracts, requiring that any jobs created as a result be made available to JTPA-eligible persons. Texas has rapid response teams that deal with plant closings or major layoffs, providing assistance for workers and support for economic recovery. All these states are giving more systematic attention to job creation and job targeting in their Small Cities Community Development Block Grant programs; in Nebraska, training has been made an eligible expenditure.

Other states have developed innovative approaches to programmatic linkage between development and employment.

- Michigan's initiatives to modernize its manufacturing sector include training and retraining for workers whose skills must be upgraded along with plant and equipment.
- California's Employment and Training Panel, a major customized training program, is financed by reducing the employer's share of the unemployment tax by one-tenth of one percent and assessing an equivalent tax whose revenues are directed to training.
- Iowa's Job Training Program is supported through an innovative tax increment financing mechansim.

Regional Councils

Regional councils provide a public, multi-jurisdictional means through which local governments and their citizens can deal with issues and needs that cross city, town, county, and, in some instances, state boundaries. Regional councils have a long history of assisting their communities in promoting regional economic development. The enactment of the Job Training Partnership Act, which encourages the formation of local service delivery areas corresponding to labor market areas, gave regional councils an excellent tool for linking economic development with employment and training. Under JTPA, regional councils serve as administrative units, provide planning and service delivery, and assist private industry councils in policy development and implementation.

- The Cumberland Plateau Planning District Commission in Lebanon, Virginia, is the JTPA administrative entity for a rural service area in southwestern Virginia. It has used an economic development set-aside of JTPA funds to support small business assistance centers and to assist in the area's industrial promotion program.
- The Pennyrile Area Development District in southwestern Kentucky has incorporated JTPA-supported training into its "one-stop shopping" approach to providing economic development services. By integrating training resources into an overall economic development program, Pennyrile is able to provide packages of assistance that can respond to all the needs a business has.

- The South East Texas Regional Planning Commission is the JTPA grant recipient and administrative entity in the Beaumont/Port Arthur area, which has been hard hit by layoffs in the oil and chemical industries. As part of an economic adjustment program, JTPA funds have been used to support a job search program for dislocated workers, a small business assistance center, and a federal bid resource center.

- The Houston-Galveston Area Council, a JTPA grant recipient and administrative entity, has incorporated its Economic Development Division into its Employment and Training Department. This makes possible the incorporation of such components as on-the-job training and the targeted job tax credit into business incentive packages.

Local Economic Development Agencies

Today, virtually every locality has at least one organization — public, private, or quasi-public — that carries out an organized economic development program. Every locality is within a JTPA service delivery area; most communities also have access to other human development institutions such as vocational education schools, community colleges, four-year colleges and universities, and private training agencies. Since most economic development and employment and training activity is carried out locally, forging a link there is especially important. Cities have used a variety of approaches involving organizational, procedural, and programmatic links.

- Some cities have linked the functions through formal organizational arrangements. In Glendale, California, for example, responsibility for JTPA and the city's Community Development Block Grant lies with a single department, making it easier to combine these resources to achieve development objectives that benefit the economically disadvantaged.

- Hiring agreements, pioneered by Portland, Oregon, are a procedure now used in a number of localities to give persons referred or trained by the employment and training agency first shot at jobs created through economic development incentives.

- Customized training is a tool that can be especially valuable in an economic development program, as demonstrated by Baltimore's success in training and placing 500 economically disadvantaged residents in jobs in a new hotel on the Inner Harbor.

- Programs, such as "Be Your Own Boss" in Broward County, Florida, have trained JTPA clients to operate their own businesses, and in Akron, Ohio, employment and training services have made a significant contribution to the success of the city's small business incubator facility.

The Environment for Coordination

The environment for coordination has become much more supportive in recent years. The widespread recognition that the nation's economic growth prospects depend on the quality of human capital has come at a time when all levels of the educational system are thought to be performing unsatisfactorily. The resulting gap between demand and supply in the work force has made it clear that education and training and economic development are not separate realms, but interdependent.

One important change in the environment for coordination came with the enactment of the Job Training Partnership Act in 1982. JTPA reversed the direction of several decades of grant-in-aid policy by encouraging the integration of economic development, training, and other human development activities. The provisions of JTPA which encourage coordination include:

- State management of the system, making it less difficult to link with other state and local programs
- Strong public/private partnership requirements, increasing the relevance of training to real job opportunities
- An emphasis on training for unsubsidized jobs rather than income support and public employment
- Stress on service delivery areas that cover entire labor market areas, making it possible to run programs that deal with a "whole" local economy
- Flexibility to plan and manage programs tailored to local circumstances with more attention to bottom line results

JTPA training funds can be used to support training that is directly responsive to the needs of specific industries and businesses, and JTPA funds available for employment-generating activities can finance a wide variety of economic development activities when they increase job opportunities for JTPA-eligible persons. JTPA also provides money to state governments for incentive grants to local agencies, coordination with educational institutions, and re-employment services for dislocated workers, all of which may be used in programs linked with economic development.

Another change in the environment for coordination is the greatly increased involvement of the business community in both employment and training and economic development. For most businesses, well trained labor is a necessity not a luxury. There is a growing recognition that, if companies are to meet their specific work-force needs, they must be concerned more generally about the performance of the education and training institutions that prepare people for work. Similarly, business leaders are taking more interest in the overall vitality of the state and local economies in which they operate. These shifts in perception have translated into much greater participation in policy development, oversight, and implementation. This is most evident in JTPA with its State Job Training Coordinating Councils and private industry councils, but may also be seen in economic development where business is active in task forces, advisory committees, recruiting teams, and development authorities and corporations.

Underlying successful coordination efforts is a service orientation toward business which does not involve sacrificing commitment to serving economically disadvantaged and other unemployed or underemployed individuals. In being responsive to business needs, development and employment agencies are better able to meet the needs of individuals as well.

Conclusion

Because repeated calls for coordination between economic development and training programs have been made over the years and because these calls apparently have not been widely heeded, some have grown pessimistic about the prospects for success. There are, however, too many examples of successful coordination and too many reasons for pursuing coordination to allow that pessimism to stand. Not every state and locality, by any means, has integrated human capital and economic development strategies. Enough have, however, to demonstrate that it can be done. In these cases, the public and private institutions and individuals involved reveal a capacity for shrugging off limiting perspectives and traditional restrictions, a willingness to try something new, and an ability to make things work that can both encourage and guide the efforts of others.

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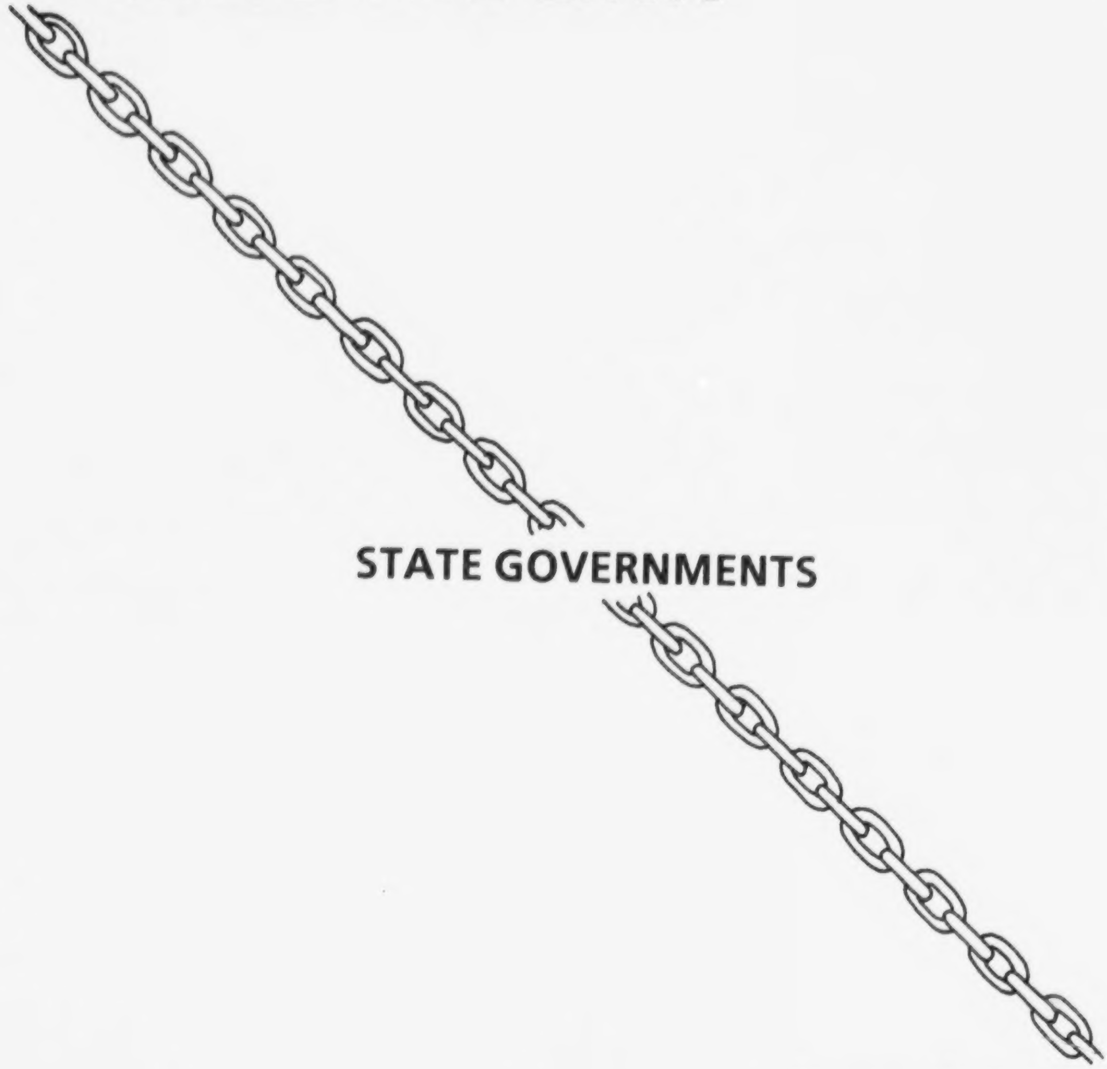

STATE GOVERNMENTS

Coordinating
Economic Development
and
Employment and Training

This is one of three complementary reports prepared as part of a technical assistance project funded by the Economic Development Administration. The purpose of the project was to identify successful approaches to coordinating economic development and employment and training programs and to assist other development and training agencies that wanted to initiate coordination efforts. This report on state government coordination was prepared jointly by the National Alliance of Business and the National Association of State Development Agencies. A report on coordination by regional councils was prepared by the National Association of Regional Councils, and a report on coordination by local economic development agencies was prepared by the National Council for Urban Economic Development. The overall project was managed by the National Alliance of Business. The project and these reports reflect the importance of collaboration among the various levels of government for successful coordination between economic development and employment and training programs.

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Coordinating Economic Development
and Employment and Training

STATE GOVERNMENTS

prepared by

National Alliance of Business
National Association of State Development Agencies

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FOREWORD

Historically, states have been the center of human resource programs in the American federal system. More recently, in response to the changing character of the nation's economy and the reduction of federal involvement, state governments have become much more active and ambitious in the field of economic development. An important element in the evolution of state responsibilities for human development and economic development lies in the recognition of their interrelationships. Human capital has become a critical factor in the nation's prospects for continuing economic growth.

Linking those programs that prepare people for work with those programs aimed at expanding business investment can produce benefits in terms of jobs and income for individuals; it also can contribute to the overall effectiveness of an economic development strategy. The capacity of states to make this link was improved greatly by the passage of the Job Training Partnership Act which made it possible to integrate employment and training more effectively with other state and local efforts and to relate more productively to the private economy.

This report draws on the experience of those states that have had success in making the link between economic development and employment and training programs. Every state has distinctive characteristics, making it impossible to simply transplant a program from one state to another. The cases included in this report, however, contain many elements that can be tailored to fit the situations in other states. We think that this experience can help those in other states who want to do the same.

Many persons have contributed to this report. Janet Pease of NAB, was the director of the project under which this report was produced. Along with Pease, R. Leo Penne of NAB, and Debbie Culbertson and Lily Babins of NASDA, were the staff for the project. All of these persons made substantial contributions to the preparation of the report. Penne served as the coordinator for the report and principal writer of Parts 1 and 3. The staff of the National Association of Regional Councils aided in the analysis of coordination between state governments and regional councils. Carole Anne Boileau very ably edited the contributions of multiple authors, and Ramona Jackson provided valuable assistance in coordinating the production process. Ralph Bregman's careful reading and Julie Bingham's critical review of the draft were especially helpful.

Throughout the project, support and assistance were rendered by the staff of the Office of Planning, Research, Technical Assistance and Evaluation of the Economic Development Administration, especially Dick Hage. Finally, and most importantly, the persons whose activities are described in the case studies should be acknowledged, not only for their assistance in preparing this report, but in recognition of their achievements.

W. H. Kolberg

William Kolberg
National Alliance of Business

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National Association of
State Development Agencies

PREFACE

This report describes how some state governments have successfully linked their employment and training and economic development programs and discusses how other states can put that experience to good use. It is aimed at policymakers and program managers who want to close the gap between human development and economic development. The nine case studies presented in Part Two are the core of the report. They describe: alternative approaches for creating coordination systems that span many departments and agencies; programmatic linkages focused on a single development objective or coordination technique; and, methods for initiating better coordination. The hope of those who prepared this report is that readers will see something that they can put into action in their own states.

This project uncovered widespread interest in development and training linkage and some solid, successful coordination efforts. Yet, the number of states implementing linkage mechanisms was fewer than expected. Even some that appeared to be at the forefront consider themselves to be in the learning stage.

State governments are in a period of transition. First, most are still in the process of thinking through how to incorporate a wider range of resources, including employment and training, into their economic development programs. Second, most states are in the early stages of "modernizing" their employment and training strategies to adjust to changing economic conditions. Third, states are only beginning to make the fullest use of the flexible state-administered Job Training Partnership Act. Fourth, states are in the process of developing better systems for coordinated program implementation with substate entities. Finally, despite the almost universal conviction that public/private partnerships are essential, these partnerships are only in their earliest stages in most states.

Fortunately, there is a growing body of experience that can be shared. This report is part of the sharing process. It draws on what has been written on the subject; but, more importantly, it draws directly from experience. The report is organized as follows:

Part One covers coordination in general terms, describing the state roles in economic development and employment and training, discussing the benefits of linking the two functions, and noting the barriers that confront those who try.

Part Two presents the nine case studies cited above, illustrating how states have gone about coordinating their development and employment and training programs.

Part Three draws lessons from the case studies for other states that want to undertake similar efforts.

The **Appendices** include a list of contact persons and a list of additional resources.

PART ONE: FRAMEWORK

PART ONE: FRAMEWORK

BACKGROUND AND CONTEXT

The Challenge

The forces that have buffeted the nation's economy in recent years have been felt in all fifty states. Foreign competition, the trade imbalance, aging industrial capital stock, declining manufacturing vitality, an expanding service sector, and volatility in high-tech industries have created severe problems in some states and serious problems in all states. Where change is undercutting traditional sources of employment and production, it confronts a state with the need to find new ways of assuring prosperity for its citizens. Even where change is economically positive, coping with transition can put heavy demands on public resources and create serious problems for affected individuals and businesses.

In the face of such challenges, states find themselves in a period of unprecedented authority and attention. In addition to their already primary role in the stimulation of business investment, states are now the focus of attention by the federal government for an expanded role in delivering federal development resources. This New Federalism, coupled with drastic cuts in federal domestic program budgets, has also made states the target of an increasing number of local pleas for help. Hence, states face changing economic conditions and shifting priorities at a time when they must take center stage in the federal system. Whether the states will be successful in their expanding economic roles will largely depend on how well they blend their economic and human development responsibilities in order to deal successfully with the issue of human capital.

Human Capital

Human capital is a term created by Nobel laureate economist Theodore Schultz. It is, writes Lewis J. Perelman, "the combination of innate talent, knowledge, skill, and experience that makes each human a valuable contributor to economic production." According to Perelman: "As we proceed through the transition to a new postindustrial economy, human capital and the learning that generates it are becoming ever more critical to healthy economic development."

Human capital, long taken for granted as an unchanging given in the nation's development equation, is not only becoming more important but also more problematic. Along with many other expert observers and analysts, SRI International says that "the significant industrial restructuring and rapid technological change under way in our economy means that the knowledge-based skills and adaptability of the work force will be an increasingly important element of our country's comparative advantage." Robert Reich, in The Next American Frontier, projects the next stage of economic development for the U.S. as "the era of human capital" and says that it will require

> a massive investment in worker training and retraining for the new jobs that the new industrial base will entail: laser technicians, robotics technicians, engineers capable of developing solar, ocean, tar sands and geothermal energy, contractors capable of fabricating modular housing, specialists in disposing of hazardous wastes.

At a time when human capital is becoming more critical for the nation's economic strength, the evidence suggests that the systems responsible for developing and maintaining it are not in harmony and, in some cases, are not performing satisfactorily. Around four million workers are structurally unemployed. Ten to 15 million manufacturing jobs will be eliminated by the next decade as a result of foreign competition, and many of those affected will find instability and underemployment during the remainder of their working lives. The passing of the baby boom generation, the composition of the body of new entrants into the work force, and the demand for highly skilled workers have the nation on a track towards a situation in which productivity and economic growth will be limited by human capital constraints. Whether or not jobs will exist depends, in part, on whether or not the country can produce workers qualified to fill the jobs.

Whether the human capital challenge can be met will depend to a very great extent on the performance of state governments. As SRI International has observed, "State government —perhaps better than any other level of government — is critically positioned to develop appropriate new education and training policies and to encourage investment in human capital development. This is because of their extensive role in virtually all levels of education and training and in the administration of such labor market programs as employment services and unemployment insurance."

Frequently human capital or human development is discussed from two very different perspectives. One stresses the importance of developing the potential of the individual and providing opportunity, especially for the economically disadvantaged. The other emphasizes meeting the needs of business. These divergent views are not necessarily in conflict, as Hugh O'Neill has argued:

> Economic development and economic opportunity are best thought of as the twin goals of a comprehensive state economic policy. The goal of economic development policy is to increase the overall productivity and competitiveness of the state economy, by creating an environment in which existing businesses can adapt to changing conditions, and in which new businesses are encouraged to start up and grow. The goal of economic opportunity policy is to expand the opportunities available to poor people to participate in the development process, either as workers or as entrepreneurs. This can be done by changing the public and private policies, institutional arrangements and labor market conditions that now operate to deny them such opportunities.

A complete view of human capital development recognizes the reciprocal relationship between individual needs and potentials and the requirements of businesses and the economy. Among the related elements involved are: preparing new entrants to the work force, keeping workers' skills up-to-date, filling critical skill needs, helping dislocated workers make a successful employment transition, and assisting the disadvantaged to get into the economic mainstream.

The Case for Linking Economic Development and Employment and Training

Adopting a human capital perspective eliminates the sharp distinction between economic development and employment and training — a distinction that continues to reduce the effectiveness of most state efforts to address economic problems. Clearly, individual human needs cannot be met without an adequate number of good jobs. Just as clearly, the national economy, and the state and local economies that make it up, cannot prosper without good workers.

Development programs seek to increase private investment in order to create or retain jobs and produce other economic benefits. Training programs seek to prepare people for jobs and to help them participate fully in the economy. Linking the two is critical because updating the skills of factory workers is just as important to industrial modernization as innovations in production techniques and capital equipment. The so-called high-tech revolution can only move as fast as the evolution of a skilled work force to carry it out. A need exists for a new breed of workers who are equipped to staff America's burgeoning service sector economy. Finally, rural development efforts aimed at better jobs for the underemployed will succeed only if training builds bridges to get people across the skills gap.

All of those involved can benefit from erasing the dividing line between economic development and the full range of human development programs, including employment and training, vocational education, and industry-related secondary and post-secondary programs. Economic development agencies can use employment and training services as incentives to complement other economic development tools in their efforts to encourage private investment. To the degree that employment and training programs are tied to economic development they can find more real job opportunities and produce more placements for their clients. Businesses get the dollar benefits resulting from reduced hiring and training costs; the unemployed and underemployed get jobs or better jobs. The breadth and diversity of state activities in economic development and employment and training offer many opportunities for generating these benefits.

STATE ACTIVITIES IN ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

In recent years many states have moved to assume new and more active roles in responding to economic change. In the process, economic development has come to be perceived as one of the most important state government responsibilities. A review of 1985 gubernatorial addresses conducted by the staff of the National Governors' Association found that "39 governors specifically cited economic development as one of their top three priorities. Over half mentioned economic development as their number one priority."

The high priority of economic development at the state level is a relatively recent phenomenon. What for most states was a modest and peripheral activity 30 years ago has become a central and essential responsibility. "Today," writes Neil Pierce, "economic development is essential to and inseparable from the successful governance of states. State economic development efforts should have no less a goal than creating a greater breadth of opportunity for all of a state's people, privileged and underprivileged alike. They are appropriate in every state, whether growing or declining, North, West or 'Sunbelt.' Such efforts should be related to and coordinated with virtually every other type of state activity and particularly efforts in education, manpower use, land use, taxation, health, rural development, the environment and future of cities."

In addition to ranking economic development as a top priority, more governors are beginning to make the connection with the human capital factor. "In their 1985 addresses the greatest increase in the frequency of topics mentioned . . . was in the area of coordinating state employment, training, and economic development programs and policies. Governors in 16 states promoted specific economic development/training programs. When education linkages are included that number rises to twenty-four states."

In most cases, these mentions represent aspiration, not accomplishment. Few states have strong, systematic, effective, and enduring links between their economic development and human development systems, but understanding how these two systems have evolved and what they are currently doing is important to policy makers and practitioners who recognize the need for change.

Economic Development

The practice of economic development today is much different than it was a decade ago. In the "new economic environment," declares a report from SRI International,

> efforts to promote economic development of regions, states, or localities have taken dramatic new forms. Traditional practices of attracting manufacturing industries by promoting the advantages of low-cost labor, availability of land, and public subsidies (through tax breaks or industrial development financing) are no longer as appropriate as they once were. New approaches are emerging at the state and local levels that focus more on a kind of economic revitalization that builds on internal strengths and is oriented to an economic environment characterized by changing markets and new technologies.

Economic development, new or old, undertaken at the state or local levels, involves actions taken to produce a desired change in the economy by influencing private investment decisions. States act to enhance the general climate for business, for example, by structuring tax systems that encourage investment and by maintaining high quality education systems. They also use a variety of tools to accomplish more specific development obligations. The goal may simply be "more" investment and the increased jobs and public revenues that come with it; it may be a different mix of investment in order to increase the stability of the economy; or, it may be investment in particular places in order to revitalize a depressed area.

Most states now combine strategies for business attraction, business retention/expansion, and business creation. This reflects the view that the strength of most state and local economies lies in existing businesses, analysis that has demonstrated the high job-creation performance of new and small businesses, and the recognition of the growth potential of non-traditional manufacturing and service sector firms. Nevertheless, states still give considerable attention to business attraction, using outreach activities and investment incentives to encourage out-of-state and foreign investment. These efforts are more targeted than in the past as states have become more selective in their investment attraction to make their targets fit.

Programs to retain and expand existing in-state businesses have grown in number and diversity, as states have increasingly looked within their own borders for economic development opportunities. Small- and medium-sized firms, thought to have the greatest potential for job and economic growth, often need the technical and/or financial assistance many states now provide in order to survive and prosper. Some even establish incubator facilities and entrepreneurial training to help nurture home-grown businesses. Subsidized financing programs make capital more readily and more cheaply available, particularly to promising businesses, through such mechanisms as umbrella bonds, linked deposits, development corporations, bank pools, and pension fund investments. In addition to debt financing, more and more states are exploring ways to provide risk capital in the form of equity or near-equity investments.

Economic change has pushed transition to the top of the development agenda in many states, directing their attention to diversification and adjustment. Economic diversification strategies are designed to broaden state economic bases and stimulate growth sector opportunities in expanding industries. Specific programs include: joint research and development partnerships between government, industry, and universities; physical incubator facilities; venture capital assistance; entrepreneurial and service sector job training for workers; technology transfer programs; and tax and regulatory incentives aimed at the banking and insurance communities. Many states' efforts involve encouraging, fostering, or attempting to coordinate the activities of academic and private sector organizations which are becoming more involved in both the planning process and the implementation of state development programs.

For states in the Northeast, the industrialized Midwest, and some southeast and western states with concentrations of mature industries, economic adjustment is a high priority. Economic adjustment refers both to recovery from individual plant closings or layoffs and long-term transition in particular industries. States directly address the problem of plant shutdowns in a number of ways. Development agencies, often in partnership with education and training agencies, pull together all available resources (local, state, federal, and private) to assist with a particular dislocation. Workers may be provided with retraining referrals, job placement services, and counseling on social and human services available, such as unemployment insurance. In some cases, states provide technical or financial assistance to convert or modernize a facility, or technical assistance for employee buyouts to prevent a plant closure. Several states facing severe problems from plant closings have enacted legislation requiring advance notice of closings, substantial benefit packages for employees, worker adjustment assistance, continued tax payments for a specified period, and a variety of other measures aimed at reducing the impact on workers and communities. Other programs have been developed to assist mature industries to modernize plant and equipment and develop and apply new technologies.

The tools of economic development have evolved with changing circumstances. An economic development tool can be anything that increases the probability that a private investment will be made or maintained. Economic development tools are as "soft" as a reputation for being responsive to business needs or as "hard" as a cash grant. In most cases, economic development tools create an investment incentive by reducing costs for a business or increasing its income. Traditionally, land and capital have been the most prominent development tools, and they continue to be important today. States and their localities find, assemble, and improve parcels of land for desirable development projects, often reducing the cost of the property. In most states, a wide array of financial incentives are also available to both out-of-state and in-state firms. These include below-market financing through industrial development bonds, state loan funds, direct investment, and various types of tax breaks tied to particular kinds of businesses or investments. Infrastructure improvements, management assistance, one-stop shopping to reduce red tape, and information on matters such as utility costs, water and sewer service, and labor availability are also important parts of most state development programs.

Attention currently being paid to market development and technology reflects the expansion and growing sophistication of state development programs. No amount of subsidy will make viable a business that does not have a market for its products. State governments, therefore, are working to develop both foreign and domestic markets for the products and services of their businesses.

All fifty states have programs to assist small- and medium-sized companies which want to enter or expand international markets, but lack either the expertise or the capital to do so. State trade development programs usually concentrate on international marketing assistance services, although a few states also offer export financing to companies. In addition to export development, states may help businesses expand markets through programs that encourage purchasing from in-state suppliers, federal procurement assistance to increase contracting with the federal government, or simply better information for small- and medium-sized businesses on potential markets for their products and services.

Technological innovation is now widely viewed as central to both the revitalization of older industries and the promotion of growth in new industries. As a result, many states are devoting a high level of effort to technology development. These efforts include university/industry arrangements to enhance research and development, institutions devoted to the application and diffusion of the technology, and direct support for businesses in need of technological improvements. The aim is not only to be the source of innovation in technology, but to capture its economic benefits as well.

In most states there is a principal economic development agency (e.g., a department of commerce) with a director who reports directly to the governor. Several other agencies may also have significant economic development functions, such as a commission for issuing development bonds, a tourism department, a port development agency, or a department of community affairs with responsibility for the Small Cities Community Development Block Grant program. An independent agency may also exist to provide "quick start" or customized training to businesses. In addition to direct responsibility for economic development, state governments also act in support of local economic development programs carried out by government agencies, private development corporations, chambers of commerce, industrial authorities, and community development corporations. This support role is critical, given the implementation role that local entities fill for state-initiated and state-supported development activities, as well as those activities wholly the responsibility of localities. An increasingly broad and diverse group of institutions is getting involved in economic development, most notably post-secondary educational institutions.

Private business is also taking on a larger role in economic development. Most states have at least several institutional mechanisms through which business men and women can participate in the development and implementation of economic development programs. These include special business task forces, advisory committees, recruiting teams, and development authorities and corporations.

Employment and Training

Employment and training programs are part of a larger human development system that is under considerable pressure and intense scrutiny. The pressures are coming from both the demand and supply sides of the labor market. The nation's swift transition from an industrial to a knowledge-based economy is eliminating occupations that America's workers are prepared to fill and creating demands in occupations for which they do not have the skills. In the face of the need for skilled workers, the National Commission on Excellence in Education found that 23 million American adults are functionally illiterate, and the U.S. Chamber of Commerce reports that 35 percent of all corporations surveyed provide remedial basic skills training. Given the circumstances, education and training activities of all types, from primary school through graduate school, have a more obvious and direct significance for economic development than they did in the past.

Traditionally, economic developers have had the greatest interest in the training that is most directly related to the job, with the objective of filling an important need for a new or expanding business. State-funded industrial training programs originated in the South in the early 1960's with customized training as a primary focus. In a review of state customized training programs, the Southern Growth Policies Board observed that

> although efforts were underway to improve the vocational education system, developers still saw high-skill and high-wage jobs going to imported workers; low-wage jobs went to local labor. The idea behind customized training was to make the local work force attractive enough so that firms would not look eleswhere for labor, and to reduce start-up costs for new or expanding businesses. At the same time, the state would be providing citizens with the skills necessary to get the jobs new industry would provide. By creating specialized training programs designed for a specific firm, the odds were heavily in favor of that firm hiring the newly trained workers.

Today, virtually all states have at least a modest, state-funded, customized, industrial training progam. These programs have always emphasized practicality — training workers for real jobs, in real companies. They have been designed to reflect local economic realities and especially private business needs, with the private sector always playing a central role in their design and implementation. They have been aimed primarily at alleviating "underemployment" and achieving economic development goals.

In many cases, customized training delivered through state industrial training programs is carried out by vocational education institutions. Vocational education, offered through secondary schools, community colleges, skill centers, and vocational technical schools, provides employer- and industry-specific training, as well as more general employment-related education and training. As a consequence, vocational education has figured prominently in the economic development activities of some communities, especially in rural areas. Since 1917, the federal government has supported vocational education programs administered by states. The passage of the Perkins Act in 1984 has increased business participation in these programs, to make them more directly relevant to job opportunities, and has also targeted a greater portion of the available funds to hard-to-employ groups.

Customized training and vocational education are only two elements in a broad field of state responsibility that includes many activities, programs, and institutions which assist persons in preparing for, finding, and filling permanent, unsubsidized jobs. Some fulfill overall labor exchange functions, improving the efficiency with which all persons are matched with jobs. Others focus on groups that have the most difficulty in getting or maintaining a foothold in the mainstream economy, such as: the economically disadvantaged, youth, dropouts, minorities, older Americans, veterans, the handicapped, the rural underemployed, displaced homemakers, and dislocated workers. Special attention is paid to critical transition points such as school to work, welfare to employment, cyclical unemployment, or reemployment after a plant closing.

Among the many activities under the employment and training umbrella, training is often the only one that receives attention, but other employment services are valuable to both individuals and business. A business considering a location or expansion decision may want to know whether or not the workers it needs are available. An unemployed individual needs to know whether job opportunities exist in his or her potential occupation. Both benefit from good information on the supply and demand sides of the labor market. Both also benefit from services such as screening, testing, referral, and placement. Small- and medium-sized businesses, especially, can save a great deal of time and money if the employment and training agency can provide them with the right people at the right time, even if no training is involved. Where training is needed, the benefits to the business are just that much greater.

There are many different kinds of training as well. They range along a continuum from providing persons with the attitudes and basic skills needed to find a job, to very specific training that is carried out on the job. Employment and training services are delivered through many programs, the single most important national program being the Job Training Partnership Act.

The Job Training Partnership Act

For decades, federal aid efforts actually encouraged the states to compartmentalize development and training through separate and often rigid laws, policies, procedures, and institutional requirements for programs such as CETA, economic development, vocational education, and the job service. With the enactment of the Job Training Partnership Act in 1982, federal policy took an important step in the opposite direction by encouraging the states to organize and operate employment and training programs as part of a broader human resource and economic development system.

In a radical departure from CETA, JTPA recognizes that states are uniquely qualified to unify employment, training, education, income security, and economic development programs under a coherent policy and implementation plan.

Neither the federal government nor local governments play the principal role in such a wide range of employment-related activities.

With the passage of JTPA, states replaced the federal government as the primary overseer of training programs for the disadvantaged and gained new authority and resources to address the dislocated worker problem. They were given a specific mandate to develop a plan for coordinating "local education and training agencies (including vocational education agencies), and public assistance agencies, the employment service, rehabilitation agencies, post-secondary institutions, economic development agencies, and other such agencies as the Governor determines to have a direct interest in employment and training and human resource utilization within the state." The JTPA system makes extensive use of the vocational education system to provide education and training; joint planning is frequently carried out.

JTPA features which distinguish it from CETA and strengthen opportunities for coordination with economic development are:

- Public/private partnership provisions that go beyond any in earlier federal programs, giving business a formal role in collaboration with government to achieve program objectives
- An unprecedented range of options for local public and private leaders for planning and managing the local employment and training system
- A strong preference for local service delivery areas based on whole labor markets rather than fragmented political jurisdictions
- A performance-not-process style of oversight, with less regulation and more attention to bottom-line results through the enforcement of performance standards
- An emphasis on training and placement in unsubsidized jobs as opposed to income support and public job creation

The financing of training and related employment services is, of course, the most obvious contribution that JTPA brings to the development equation. In addition to pre-employment training and general classroom skills training, JTPA can cover all the costs related to developing customized training where an employer or group of employers has made a commitment to hiring trainees who successfully complete the program. It can fund industry-specific training programs that directly support industrial and economic development, and it can underwrite "employer outreach" directly related to job or training opportunities for JTPA eligibles. Finally, a portion of JTPA funds can be used for general marketing, employer surveys, salaries for economic development staff, and technical assistance to businesses, if these activities can be shown to increase job opportunities for eligible individuals.

This direct employment and training assistance can be important for the achievement of specific development objectives and projects within a state. Just as important is the potential for integrating development, training, educational, and employment resources under coherent state policies and coordinated state action.

Other Elements of the Human Development System

In addition to industrial training programs, vocational education, and the Job Training Partnership Act, state human development systems contain a number of other important programs and institutions. A state's employment services, for example, fill critical labor exchange functions such as the provision of labor market information, assessment, referral, and, often, certification for the targeted jobs tax credit. Other elements of the overall system are undergoing changes in some states to make them more relevant to changes in the economy and the world of work. States are experimenting with "workfare" programs, for example, to encourage the transition from welfare to employment. (Since 1967, states have overseen the Work Incentive Program, which provides employment and training services to recipients of aid to families with dependent children.) Other states, recognizing that the original purpose of unemployment compensation — income support during periods of cyclical unemployment — is less relevant in an economy undergoing basic structural change, are tying their unemployment compensation systems more directly to training and retraining. Schools at all levels are augmenting their general education missions with programs explicitly connected with employment possibilities for their students. This is seen in secondary schools in career education curricula and programs such as "adopt-a-school" through which business contributes resources, curriculum guidance, and, in some cases, instruction, counseling, and the promise of jobs for graduates. Community colleges are increasing their industry specific training (and involvement with economic development in general), and colleges and universities are developing partnerships with industry that involve human development as well as technology development.

The institutions within the state human development arena are numerous and the relationships amongst them complex. Most states have cabinet level departments of labor or employment, or both, which have responsibility for matters such as unemployment compensation, workers' compensation, and labor-management relations, as well as employment and training services. In some cases, training for special populations may be lodged in a human resources department with welfare and social services programs. Responsibility for education frequently is divided among departments or commissions for primary, secondary, and higher education; vocational education may be administered through a general department or through a special agency. In some states the top positions in the labor and education agencies are not filled through gubernatorial appointment, leading to a greater independence than is the case for other agencies.

As is the case with economic development, much of the human development service delivery activity initiated, administered, or overseen by state governments is carried out by local institutions or institutions that have both local and state government elements.

The business community is active and important at both the state and local levels. (Businesses spend an estimated $30 billion annually on formal training for their employees and another $180 billion on informal training.) Through the State Job Training Coordinating Council and local private industry councils, business can exercise considerable influence over employment and training programs. A number of other vehicles are available for business involvement in education and training programs, including state councils on vocational education and state technical committees that give both employer and labor representatives a chance to specify the skills needed for particular occupations.

Linkage Opportunities

The preceding description of state activities in the fields of economic development and employment and training is by no means complete or exhaustive. It is meant only to provide a general background for considering possibilities for productive collaboration:

- Successful business attraction programs must offer appropriately skilled workers as part of their packages along with the assurance that programs and institutions exist to maintain and upgrade workers' skills.
- Small business development initiatives can provide substantial up-front assistance by reducing a company's initial hiring and training costs.
- Efforts to capture more investment in high-growth sectors are strengthened by being able to identify the kinds of human resources critical to high tech companies.
- Economic adjustment must move workers from stagnating to growing industries and retool workers along with plant and equipment.

Realizing these possibilities, however, depends on overcoming a number of common institutional barriers.

BARRIERS TO COORDINATION

Despite the obvious benefits that can accrue from the coordination of employment and training and economic development programs, and despite widespread rhetorical support for bringing them closer together, more often than not they remain substantially separated. When something makes very good sense and is espoused by both experts and those in authority, but does not happen, some high and strong barriers must exist. Identifying and understanding these barriers are the first steps towards surmounting them.

A 1979 report by the Northeast-Midwest Institute, aptly titled, "The Neglected Resource: The Use of Employment and Training Programs in Economic Development Strategies," described the gap between the two in the following terms:

> Practitioners in the field of economic development are expert in the use of two of the three basic factors in the classic economic production function: they are experienced in the attractive packaging of combinations of capital and land to encourage the birth, location, or expansion of firms in their jurisdiction. However, many of those responsible for conceiving and carrying out development strategies are less interested and knowledgeable about how to make sure that prospective employers have a skilled and productive labor force to tap once their doors have opened. On the other hand, those who concern themselves with employment and training may have little knowledge of the economic developer's tools and strategies. Unfortunately, however, the success experienced by the employment training officials in finding employment for those who pass through their programs may depend on how well the economic development officials have done their jobs.

What was true in 1979 is still true today.

The Differences: Perspectives, Policies, Organizations, Procedures

There is a well-known list of reasons why economic development and employment and training programs usually are not closely coordinated. These reasons fall into a group of interrelated categories, including conflicting perspectives, separate policies, fragmented organizations, and inconsistent processes and procedures.

The starting point is a traditional conflict in perspectives. As a rule, those who oversee and operate employment and training programs have viewed unemployed persons as their "clients" and see themselves as advocates for the economically disadvantaged. Those responsible for economic development programs, on the other hand, tend to view businesses as their "clients." They measure their performance by the degree to which their business assistance efforts lead to investment decisions producing aggregate increases in employment, tax revenues, and other public benefits.

Often differences are exaggerated in stereotypes. Development officials, for example, may consider training programs to be part of the welfare system and expect those who run the programs to be unconcerned about things like the impact of delay and red tape on a business. They fear that training programs will not deliver the kind of worker that the business needs. Because they feel training officials do not understand business, they hesitate to involve them in direct contact with businesspersons, fearing problems will arise. Development officials may be reluctant to establish any kind of hiring requirements, thinking that such requirements impose too costly or troublesome a burden on a business.

Training officials, on the other hand, may think that development officials are excessively responsive to business – willing to provide substantial public subsidies without being concerned about whether jobs are really created or whether the jobs go to those who need them the most. They do not believe that economic benefits trickle down and often think that economic development programs expend money unnecessarily.

These perspectives make cooperation difficult on both personal and institutional levels. They prevent both sides from translating the labor element into an investment incentive that contributes effectively to the accomplishment of both employment and development objectives. The state-funded customized training programs described previously bridge this gap by seeing a tight link between the needs of their two client groups: unemployed or underemployed individuals and locating or expanding businesses. In responding very directly to the needs of business, they satisfy the needs of individuals who need jobs. Customized training programs do not ordinarily target the economically disadvantaged, however, and have focused primarily on entry-level manufacturing jobs.

Other barriers to coordination flow from the conflicting perspectives. If employment and training and economic development are basically two separate enterprises, then each will have its own policies, which lay out different goals and objectives and separate paths for reaching them. If the potential gains of linking employment and development programs are not recognized in policies, then the losses will not be evident. Where there is no policy base for coordination, there is no authoritative mandate. Given the centrifigual forces at work, coordination is unlikely to occur without that mandate.

In most states, separate agencies are responsible for implementing economic development and employment and training programs, usually several in each category. Under the best of circumstances, this makes it difficult to mesh the programs; under the worst, it generates all of the difficulties commonly grouped under the term "turf." Agencies often compete for resources, visibility, and credit. Commitment to achieving their missions may narrow their perspectives. They develop separate plans, work on different budget cycles, respond to different leadership and constituencies, and are measured by different standards. The fact that they often do not cooperate is not surprising. What is surprising and promising is that, despite all of these difficulties, some do.

Fragmentation of organizations responsible for employment and training and economic development is a major barrier to coordination which relates directly to several others. The staffs of the different agencies are not likely to be knowledgeable about the business of their counterparts and probably have no incentives for cooperation. Planning processes may be built on different information bases and project different futures. Project selection procedures are not geared to the same priorities, nor do they contain elements that encourage the blending of resources. Programs do not present business with a unified state response.

This is a long list of barriers to coordination, but it is more than a list. It represents a complex set of factors that create situations resistant to change which make general and long-term coordination very difficult. Lists of this sort are often presented as though merely identifying the barriers is all that is required to surmount them. In practice, the task is much more difficult. Linking economic development and employment and training takes a special effort because it requires non-routine actions. Problems and solutions must be seen in a different light which may lead to redefined roles and responsibilities and basic changes in policy and organizations. To face this challenge, states need strategies and must be willing to support innovation and entrepreneurship.

STRATEGY, INNOVATION, ENTREPRENEURSHIP

Linking human development and economic development is not a "business-as-usual" activity. It cannot be achieved in a simple, mechanical fashion by merely moving boxes on an organizational chart. It is likely to require strategies that are comprehensive and long-term, innovations that break with past practices, and entrepreneurship that sees and seizes opportunities.

Unfortunately, strategic approaches, innovation, and entrepreneurship are not very compatible with the traditional forms of organization in state government. Rosabeth Moss Kantor, in The Change Masters: Innovation and Entrepreneurship in the American Corporation, describes the "segmentalist" form of organization that is common in many large corporations in terms that could just as well be used to describe traditional state government organization:

> . . . a large number of compartments walled off from one another — department from department, level above from level below, field offices from headquarters, labor from management, or men from

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> women. Only the minimum number of exchanges take place at the boundaries of segments; each slice is assumed to stand or fall rather independently of any other anyway, so why should they need to cooperate?

"Segmentalism," says Kantor, "is anti-change-oriented and prevents innovation." It views problems narrowly and in isolation, thinking they are best solved when carved into smaller and smaller pieces. Companies with segmentalist "cultures" are likely to have structures that match.

In state governments the employment and development "pieces" and pieces of these pieces usually are parceled out among and within large organizations, making it difficult or impossible to reassemble and reorder them in order to deal with changing situations. The solution in private corporations, according to Kantor, is to develop "integrative" organizations. Integrative organizations treat problems as "wholes" and address them in a broader context. Integrative organizations

> create mechanisms for exchange of information and new ideas across organizational boundaries; ensure that multiple perspectives will be taken into account in decisions; and provide coherence and direction to the whole organization. In these team-oriented cooperative environments, innovation flourishes.

The purpose of developing integrative organizations is a practical one. Such organizations are better able to innovate, that is, to bring new probelm-solving ideas into use, and better able to develop and implement strategic approaches. Differences of opinion arise in all organizations, but, in the integrative organization, "the mechanisms exist for transcending differences and finding common ground."

Government is known more for stability and predictability than for innovation, entrepreneurship, or strategic action. Caution is more common than daring in the public sector. Public mistakes have ramifications that private mistakes do not. Therefore, the innovation process for government is less aggressive as a rule. Telling state governments that they should undertake innovative approaches to coordinating employment and development programs is not enough. Before the leap is taken, a state government wants to know that a relatively safe landing spot is available.

"One often wonders," writes Charles Warren, "how 'first adoption' ever occurs among public organizations, given the importance accorded to precedents." State governments are likely to adopt a new approach when it "addresses a priority problem as they define it and . . . is accompanied by credible information about implementation problems, performance, and consequences." Most of all, government officials want to know if "it" has worked elsewhere and why and how it worked.

> The ability to cite precedents and other examples of successful adoption is particularly significant in the public sector, because it helps substantiate the fact that the innovation under consideration is not highly risky and has been proven under similar circumstances. This fits well within our concept of the prudent innovator.

The case studies presented in the next part of this report provide numerous examples of "prudent" innovation. They not only illustrate a variety of ways in which economic development and employment and training programs can be ccoordinated successfully, but they also demonstrate the individual and institutional characteristics that lie behind these successes. Innovation, entrepreneurship, and strategic planning and action can be seen in these cases. They reveal a capacity for overcoming traditional limitations on state action, a willingness to try something new, and an ability to make things work. Perhaps more suprising, given the traditional view of state government, those who are carrying out these innovations are excited about what they are doing and are having fun doing it.

PART TWO: CASE STUDIES

PART TWO: CASE STUDIES

INTRODUCTION

Nine states were investigated specifically for this report. The screening process yielded three — Illinois, Texas, and Nebraska — that appeared to have well-developed systems for linking development and employment programs. In all three cases, the coordination systems involve many agencies and programs, and they have been in place long enough to see results. The approaches used in these states are described in greatest detail in this section.

For these states, an overall picture of coordination was developed through telephone and on-site interviews with state and local officials and businesspersons and the review of printed materials. Each profile covers organizational coordination, coordinated development strategies, procedural coordination, and programmatic coordination.

With respect to organizational coordination, the following items were addressed:

- Functional integration — whether or not the state had combined some or all of its employment and training and economic development programs in a single department
- Cabinet committees — formal mechanisms for policy coordination across departmental lines at the highest level
- Overlapping advisory boards — arrangements for injecting common perspectives into different program areas by cross-representation on bodies such as state job training coordinating councils and economic development commissions.
- Staff coordination — activities such as joint meetings or training, staff sharing, or co-location which are meant to increase collaboration among staffs of different programs.

Development strategies are important for selecting an approach to coordination and essential for determining the objectives of coordination. One state may be trying to support modernization in its manufacturing sector while another may be trying to nurture "high-tech" start-ups. In some states, employment and training resources and other development tools are linked in formal development strategies. The strength of the links depends on factors such as the authoritative character of the strategy, its clarity, adequacy of resources, and arrangements for implementation.

There are various procedures that may be used to blend employment and development objectives and activities. These include targeting incentives or requirements for specific areas or populations, financing tied to job creation, or one-stop sources of business assistance, including training.

The easiest way to see organizational, strategic, and procedural elements of coordination is in programs and projects. The cases which follow provide numerous examples of how coordination works in connection with objectives such as new business creation, business expansion, and recovery from plant closings and in programs such as small business assistance centers, bid resource centers, enterprise zones, and incubator facilities.

In addition to the profiles of the coordination systems operating in Illinois, Texas, and Nebraska, programmatic linkages working in Iowa, Ohio, California, and Michigan are also presented in this section. The experiences of Oregon and Kansas in taking new steps to strengthen coordination are detailed as well.

COORDINATION SYSTEMS

Illinois, Texas, and Nebraska have diverse economies, state government organizations, and approaches to employment/economic development coordination.

Illinois' economy traditionally has rested on manufacturing and is undergoing a rapid transition with expansion in the service sector. The responsibility for the core economic development and training programs is consolidated in a single department; development and employment programs are linked formally and tightly through a combination of organizational, procedural, and programmatic methods.

The economy of Texas has enjoyed a long run of sunbelt growth that, in recent years, has received unexpected recessionary jolts and been weakened by the problems experienced by the petro-chemical industry. The governor's overall policy of coordination permeates the state's activities. It produces coordination between employment and economic development, not through tight organizational integration, but through a set of procedures and programs administered by strategically-placed officials. Effective coordination between states and regional councils allows programs to be tailored to local conditions.

Nebraska's agribusiness economy has had its problems, and one of the state's responses was an innovative arrangement creating a "broker" for human capital programs that can be used to assist businesses. The broker provides an activity center for coordination without the need for substantial reorganization.

ILLINOIS

Background

"Jobs, Jobs, Jobs," the title of the 1984 report of the Illinois Department of Commerce and Community Affairs, expresses the spirit and commitment that infuses that state's efforts to coordinate its employment and development programs. The effort has been both determined and comprehensive — part of the state's strategic approach to achieving its development objectives. It includes a number of significant innovations undertaken in a climate that supports innovation.

The challenge facing government and business in Illinois is similar to that facing the other states of the North Central region and, in some respects, similar to that facing all of the nation's states: how to solve the problems and take advantage of the opportunities created by the current economic transformation. In 1950, 38 percent of Illinois' workers were employed by manufacturing firms and 16 percent in traditional services, finance, insurance, and real estate. By 1984, only 22 percent were employed in manufacturing, and nearly 30 percent were employed in services, finance, and related industries. Between 1977 and 1982, about 74,000 manufacturing jobs were lost. During the same period, approximately 64,000 new service jobs were created.

In this context, economic development involves a mix of objectives, including stabilizing manufacturing, capturing more investment in high-growth sectors, and encouraging high-quality service sector expansion. To be successful, the state must retain and expand viable businesses in its traditionally strong sectors, attract complementary investments, and stimulate new businesses.

This development agenda is leading to links between traditional economic development and traditional human development programs that are creating non-traditional, but productive, amalgams. The linkage effort in Illinois includes:

- The consolidation of most of the state's employment and development programs in a single department
- An aggressive marketing program that packages all of the business assistance available through the state, including JTPA and other education and training resources
- A decision process for state-provided business assistance that supports the integration of employment and development objectives
- Numerous special focus programs that link economic development and employment and training resources and objectives
- A variety of formal and informal means for strengthening program coordination
- A strong service orientation toward private business

Organization

Most of Illinois' training and economic development programs are operated by the Department of Commerce and Community Affairs. DCCA, proposed by Governor James Thompson, was created in 1979 by combining three previously existing agencies: Economic Development, Local Government Affairs, and the Governor's Office of Manpower and Human Development. The objectives were to centralize previously separated functions and to make it easier for businesses and local governments to deal with the state.

The proposed consolidation was opposed initially by business, local government, and labor, because each thought its interests would be diluted in an agency with a broader mission. Despite the formal consolidation, DCCA's components operated more or less independently from each other for about a year after the department was created. The functions began to merge as a result of the determined efforts of a director who saw all of DCCA's programs as economic development tools and used this opportunity to coordinate to meet both the needs of business and the needs of the poor and unemployed.

Today DCCA has a work force of approximately 600, two-thirds of whom are located in Springfield; about twenty percent are in Chicago, and the remainder in several local offices. All employment and training and economic development programs are within the Program Administration Bureau under three divisions: Job Training, Economic Opportunity, and Service Programs. Job Training includes the state's Industrial Training Program as well as JTPA. Economic Opportunity administers energy assistance and home weatherization programs and the federally funded Community Services Block Grant. The Division of Service Programs is responsible for the Community Development Assistance Program (the state-administered portion of the federal Community Development Block Grant), local government management services, mandates and special programs, and small business assistance.

Coordination does not just happen. In Illinois it is achieved in a variety of formal and informal ways. The Governor's JTPA Coordination and Special Services Plan is a leading instrument through which DCCA can coordinate with other state agencies and the initiatives undertaken by local service delivery area agencies. The Division of Marketing and the Financial Commitment Committee are two of the most important integrating mechanisms.

Through the marketing division, more than 50 state programs and services are "sold" directly and indirectly to Illinois businesses. Forty marketing representatives are the principal contact points for businesses that may be able to use state assistance to create or retain jobs. These development "salespersons" view as their "product line" the programs and services of DCCA and other business services available through the state. They work a particular territory in much the same manner as a private sector marketing representative. They are responsible for knowing all of their products, establishing contacts with all of those at the local level who are involved in economic development, being able to assess the needs and suitability of a particular business, and knowing how to package projects.

In a typical case, the marketing representative might identify a business that is considering expansion through a lead from a local chamber of commerce. The representative would confirm this lead either directly or through a local development official and then determine whether or not the expansion required any assistance. If it appeared that state business assistance was needed in connection with the project, the representative would prepare a project profile indicating the type and amount of assistance needed. The package would be developed in detail with the assistance of DCCA program professionals and put into application form which would then proceed through the internal decision process.

Having all programs available enables the marketing representatives to combine the state's program resources in a comprehensive and flexible manner. It also requires extensive program knowledge and skill in communicating with business-persons, local employment and development officials, and state agency administrators.

Performance standards have been developed for the marketing representatives. They include items such as the number of packages developed, training opportunities generated, and jobs created or retained as a result of the package, as well as other non-quantified items pertaining to the representative's ability to develop and/or increase local/state coordination. A day-to-day reality that otherwise might be lacking for the marketing representatives is given to the coordination policy by these performance standards.

All assistance packages involving DCCA resources receive final review and approval by the Financial Commitment Committee. The Committee includes management staff from each DCCA division. Its responsibility is not only to assure that the aid offered is consistent with state law, regulations, and policies but also to guarantee that opportunities for maximizing development objectives are realized. If, for example, a project involving community development assistance for a business came to the committee and questions were raised about its job-creation potential or coordination with the local employment and training agency, approval might be delayed until clarification was received.

EXHIBIT 1: Excerpt from the performance standards for marketing representatives in the Illinois Department of Commerce and Community Affairs

Performance Standards – Marketing Representatives

The marketing representative is responsible for achieving pre-determined quantitative objectives as established by DCCA management. This includes financial packages, blend/range of programs, job creation/retention and training contracts and positions. Performance should demonstrate a coordinated and directed utilization of local, state and federal resources to successfully assist/facilitate in the promotion of economic development in the assigned region.

A. Provides specialized financial packaging assistance to local economic development groups and businesses utilizing various private, federal and state resources which results in complete, approved financial packages. These financial packages are inclusive of the marketing representative's involvement requiring knowledge and coordination at all levels of the process. Performance is satisfactory for this time period if the marketing representative has been responsible for the completion of a minimum of ___ approved financial packages.

B. Completes approved financial packages which demonstrate an indepth knowledge of all DCCA financial programs and represent an adequate sampling of programs available to the assigned region. This includes the primary financial programs: CDAP, IRB's SBA 7 (a), SBA 503, Fixed Rate Fund, and UDAG. Performance is satisfactory when the financial packages completed clearly represent a sampling of all appropriate DCCA programs commensurate with the region.

C. Responsible for the creation/retention of jobs as a direct result of financial packages completed and approved. Performance is satisfactory for this time period if the marketing representative is responsible for the creation/retention of a minimum of ___ jobs in the assigned region.

D. Demonstrates knowledge of and generates training contracts to assist all types of businesses in the assigned region. This includes completed training contracts with the ITP, JTPA and HITS programs. Performance is satisfactory for this time period if the marketing representative has been directly responsible for a minimum of ___ training contracts.

E. Responsible for creating training jobs through the utilization of state/federal training resources. Performance is satisfactory for this time period if the marketing representative has created a minimum of ___ training jobs.

In addition to the consolidation of programs within DCCA, the marketing program, and the Financial Commitment Committee, a number of other techniques are used to assure formal and informal coordination between employment and development programs.

- Coordination within the department has put people with employment backgrounds into development jobs and vice versa.
- Reports on packages being developed are circulated throughout the department.
- Formal and informal meetings are held involving both marketing and program staffs.
- Information sessions and formal training have been used to increase staff productivity.
- Program innovations and personal initiative are encouraged.

Programs

A number of specific programs are designed to create linkages between employment and development activities in Illinois:

The Community Development Assistance Program is the state-administered portion of the federal Community Development Block Grant program. The FY85 allocation for Illinois was $33,375,000. Of this amount, $12,303,750 was made available through a competitive economic development program and another $5 million through a set-aside for economic development. Requirements and procedures for CDAP economic development projects encourage job creation and job retention. Funds may not be used in cases involving intrastate relocations.

According to the CDAP application guidelines, "Only projects which create and/or retain permanent jobs in the industrial and commercial sectors will be funded. To be competitive, projects should attract sizable private investment, have solid commitments to create or retain permanent jobs, and demonstrate financial feasibility and benefit to low- and moderate-income persons." The grants are managed in a manner similar to the federal Urban Development Action Grant program. There must be evidence that the investment would not be made without the CDAP funds, and most grants to localities are provided to a private business in the form of a loan.

Applications must document that a minimum of 51 percent of the funds will benefit low- and moderate-income persons. "This is most generally documented in one of two ways, either through the wage scales paid for jobs created or retained or the individual filling the job is of low- to moderate-income (e.g., JTPA-eligible, hired through Job Service, etc.)."

Five factors are used to rate applications for grants through the competitive economic development program: community need, project benefit, benefit to low- and moderate-income persons, resource leveraging, CDAP dollar-to-job ratio. Community need includes unemployment, poverty, and fiscal stress. Under project benefit, an applicant must demonstrate that the project will reduce community need or must "provide firm assurances from the borrower (employer) regarding the number of permanent jobs to be created or retained for low- and moderate-income persons in a 12-month period, including the types of positions, and the time frame for job creation." Applicants must identify the methodology used to determine the percentage of project benefit to low- and moderate-income persons and submit the results of the analysis on a standard form. Projects receive higher ratings in inverse relation to the CDAP cost per job created or retained. Applicants must also show evidence of contact with the local SDA agency in connection with filling the positions.

The $5 million economic development set-aside is for projects relating to unique economic conditions, such as an imminent major job loss or a natural disaster. The funds are also used for worthy projects submitted under the competitive program when the quarterly allocation for that program is insufficient. The basic requirements are the same for both of these programs.

To increase the amount of federal contracting undertaken by Illinois businesses, 14 Procurement Outreach Centers have been created. At these centers, a business can get information on the federal contracting process, be placed on the appropriate bid lists, receive management assistance to increase its capacity to carry out federal contracts, and learn about other forms of assistance. These centers are located with business assistance centers at various community colleges. They are financed through JTPA funds for education coordination (8-percent set-aside) administered by the state Community College Board. They are located in areas of high need which also have businesses with federal contracting potential. Businesses that receive procurement assistance sign a first-source agreement, requiring that any jobs created through resulting federal contracts be made available to referrals from the local JTPA agency.

The centers were established in February 1984. By early 1985, they had provided assistance to 1,000 businesses which led to 27 new contract awards. The contracts, totaling $3.2 million, accounted for an estimated 150 jobs retained.

The Illinois Enterprise Zone Act took effect December 7, 1982. Its purposes are to stimulate business and industrial growth and retention in depressed areas and to revitalize depressed areas of the state by means of relaxed government controls and tax incentives in those areas. Twenty zones had been certified by early 1985. In addition to the use of existing development and employment programs in the zones, the state has created the JTPA Title III Discretionary Enterprise Zone Training Fund and established the economic development set-aside and the enterprise zone programs with state JTPA education coordination funds.

The Enterprise Zone Training Fund is financed by a discretionary federal grant under Title III of JTPA. It is used to pay up to half of the cost of on-the-job training, classroom training, or a combination, which is required to enable dislocated workers to be hired for jobs in the enterprise zone. Only businesses locating or expanding in enterprise zones are eligible.

An additional $489,000 is available for employment and training services in enterprise zones through 8-percent set-aside funds administered by the Illinois State Board of Education. In both cases, the funds are intended for economic development projects, that is, projects that are directly related to job creation or retention.

Illinois has established 18 dislocated worker centers funded through JTPA. Their locations are based upon such factors as the number of dislocated workers in the area and the capacity of local institutions to provide comprehensive employment and training services. They provide: personal, financial, and vocational counseling; vocational assessment; on-the-job, vocational, and academic training; job search assistance; placement; and, supportive services. They are operated by community colleges and units of local government in cooperation with private industry councils.

As discussed above, in addition to the basic dislocated worker program, Title III discretionary funds are used to create job opportunities for dislocated workers in enterprise zones. In addition, state 8-percent funds may be used to supplement dislocated worker resources in order to respond to plant/facility closings in areas of the state not served by dislocated worker centers or to assist existing centers to respond to closings which are too large to be handled by available resources.

The Illinois Industrial Training Program was created in 1980. A need was felt to tie training more closely to state and local economic development without federal program requirements. Only manufacturing firms are eligible for assistance which may be used to reimburse a business for up to 50 percent of the wages and benefits of new or existing employees-in-training. The program is funded at an annual level of $4 million, and demand exceeds supply.

The attractions of the program — simplicity, ease of application, and tailoring to employer needs — make it popular. It is easy to link with other programs when trying to meet a specific employer's needs. The average cost per trainee is $1,000. A vigorous effort is made to ensure that JTPA is used where possible by leveraging its use when an employer package is being developed.

The High Impact Training Services Program was established in 1978 and is administered by the Illinois State Board of Education. The primary purpose of HITS is to pay for the cost of instructors for training for businesses locating or expanding in Illinois. In a few instances, it has been used for OJT. Institutions in the state's public education system, usually community colleges, apply for the funds and are responsible for the training. The program, which is funded as a line item in the budget of the State Board, has $1.1 million in state general funds for FY85 and $300,000 in federal vocational education funds. The program promises a response within ten days and focuses on short-term training needs, not career development.

The review process is simple. Frequently HITS funds are blended with ITP funds, and the review process is coordinated. Coordination, which in the past had been largely informal, is becoming more formal with the increasing number of instances in which HITS is combined with other state employment program initiatives.

In addition to HITS and the 8-percent set-asides for enterprise zones and dislocated workers, the state's education institutions are involved in economic development through an additonal set-aside of JTPA 8-percent funds. Under this set-aside, the State Board of Education had $787,000, and the Illinois Community College Board had $464,000 during the last program year.

These funds are used to develop customized training packages for employers who are expanding or locating anywhere in Illinois. Customized training is coordinated with JTPA programs administered locally, the High Impact Training Services Program, and the Industrial Training Program. Applications are made to DCCA. In appropriate cases, 8-percent funds are used for enterprise zones and dislocated workers. DCCA coordinates a meeting with all of the parties involved at both the state and local levels.

Numerous instances of Job Training Partnership Act involvement in economic development are discussed above. Because of the organization and process of the Department of Commerce and Community Affairs, JTPA is integrated into the overall effort. Because of the DCCA umbrella, the marketing system, the Financial Commitment Committee, and internal formal and informal linkages, JTPA gets built into development deals in ways that otherwise would be unlikely.

In addition to state-level program activity, the state encourages economic development efforts by the 26 local SDAs. Every effort is made to coordinate activities and services in an SDA whenever an employer's needs become known to DCCA.

Examples of Coordination

What counts is what happens. Is job creating investment stimulated? Do the people who need the jobs get them? Three examples answer those questions in the affirmative.

In Will County and Cicero, plants that might have closed their doors not only stayed in business in Illinois, but are expanding their operations significantly because of the support they were able to get through the enterprise zones in which they are located. In both cases, training was a critical element.

A stamping plant, owned by MSL Industries Corporation (a manufacturer of washers and steel fasteners), is located in an enterprise zone in Will County in the town of Rockdale, just outside of Joliet. In the spring of 1984, the company evaluated the long-term viability of the plant, which had been unprofitable. The outcome of that evaluation would determine whether the Joliet plant or another, located out of state, or both, would be closed. The decision went in favor of the Joliet plant. The zone administrator terms the package of incentives available through the enterprise zone as "absolutely essential" and says that without the training component of the package, the plant "would not be where it is today."

Joliet Junior College administers the area's dislocated worker program, through which special funds targeted to enterprise zones are available. In the case of MSL, three enterprise-zone OJT contracts have led to jobs for 75 dislocated workers, with another 50 on the way. The contracts have been central to an expansion of the plant's work force from 120 to 226.

The former MSL plant manager, confirms the importance of the training provided. "The training," he says, "was a vital piece of the total picture." The decision to stay and expand was based on six factors, four having to do with basic business considerations such as materials, prices, and the installation of statistical processing controls. The other two were the training and the general support available through the enterprise zone.

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"The cost of training," says the MSL plant manager, "was a big part of the expansion. I don't think we could have expanded without it. We could show corporate how we could expand without the full cost of expansion."

MSL also benefited from the basic provisions of the area's enterprise zone. These include 100 percent tax abatement for ten years on the increased value produced by the new capital investment, a doubled investment tax credit, a sales tax credit for building materials, and the waiving of zoning permit and inspection fees, as well as streamlined processing.

The county also: arranged for public improvements that alleviated a flooding problem that had bedeviled the company; helped to get the involvement of an adjacent property owner whose cooperation was essential; and, served as the "one-stop" contact point for the company.

To date, the enterprise-zone/dislocated-worker link has aided five companies in the Joliet enterprise zone. Work with another four has just begun.

In Cicero, Abart Gear, a manufacturer of speed-reduction and box gears, faced a decision similar to MSL's earlier this year. Abart, a divison of 75-year-old Cleveland Gear, has operated in Cicero for seven years. What could have been a plant closing has turned out to be a plant expansion. The decision to stay in business in Cicero and consolidate operations from elsewhere was influenced strongly by the training that could be offered through the dislocated worker program in Cicero's enterprise zone.

The training element was an extremely important factor in the company's continued operation in Illinois. The community college operates the dislocated worker program and administers three enterprise zones. Through the dislocated worker program, an OJT contract has been entered into with Abart for 35 to 40 jobs. Abart will also use the state's High Impact Training Service to upgrade the skills of existing workers. The company's work force is expected to grow from 47 to nearly 90 in 1986.

The enterprise zone administrator attributes the overall success of the program to its flexibility. "It can adapt to a company's needs. The company has a say in the structure of the program which is not dictated to it."

The MSL experience in Will County strongly confirms that view: "Just the fact that the community came forward to help was important," says the MSL plant manager. "They did a very good job. They pre-screened and let us make the final choice. It was much better than anything I had ever encountered. Several people have already moved up to the top levels."

Having the enterprise zone to coordinate all of the elements involved was also important. For a business under pressure, time really is money; the enterprise zone made it possible for MSL to deal with one person rather than 15.

The two cases described above focus on retaining and expanding existing businesses. In Decatur, JTPA Service Delivery Area 19 has undertaken a cooperative effort with the Decatur-Macon County Development Foundation to launch an incubator facility for new, small businesses. The capital costs for the facility will be about $1.5 million. A grant from the federal Economic

Development Administration will cover $1 million of this, with the remainder coming principally from the Illinois' Small Business Incubator Program and the Community Development Block Grant program of the city of Decatur. JTPA Title II activities will contribute to the effort to transform a donated factory into a facility to house a number of growing businesses under one roof until they can become self-supporting.

SDA 19 supports the work of the Foundation with employment-generating funds. JTPA work experience clients will help to make the existing buildings suitable for use by 13 small businesses. When the incubator is in operation, try-out employment and OJT will be available to the businesses. In addition, the incubator will provide these businesses with support services, which may also make use of JTPA clients.

This particular project has been undertaken within the context of a broader cooperative movement called the Decatur Advantage, through which all the local training and education entities meet regularly to share information and coordinate activities. The Decatur Advantage also provides a means for interacting with other organizations, such as the chamber of commerce and the local economic development agencies.

Conclusion

Illinois has confronted many of the common barriers to improved coordination between employment and training and economic development programs, including program fragmentation, uncoordinated marketing, poor communication with business, red tape, and the gap between training and jobs. The Illinois approach to surmounting these barriers is both simple and complex. At the core is centralized coordination through DCAA. But, what makes coordination really work in Illinois is a strategy that goes well beyond simple consolidation and includes many innovative program links, as well as processes and procedures that make coordination a way of doing business and not just a motto.

TEXAS

Introduction

Coordination is a central theme of the current administration in Texas, and a great variety of methods for linking economic development and employment and training are being successfully pursued. Linkage is accomplished in Texas through:

- A philosophy of coordination at the top which includes a commitment to the use of JTPA for economic development, as well as a belief that the state should encourage linkage at substate levels by setting the example and by supporting local initiatives
- A structure for coordination which includes some formal organizational consolidation, as well as informal networking
- Specific statewide programs and procedures for linking resources and pursuing common objectives which stress persuasion and negotiation

- Effective collaboration between the state and regional councils to create jobs for the disadvantaged
- Other methods such as cross-training for state staff, and independent staffing of the State Job Training Coordinating Council

Philosophy

The Texas economy is in a state of transition. The active state role now seen in economic development is a recent phenomenon. During the '60s and '70s, when many other states were defining their role in economic development, Texas didn't need a public economic development capability. Free enterprise, entrepreneurship, and private development worked handsomely for the state. However, revenue shortfalls, attributed principally to a reduction in oil production and the devaluation of the peso, coupled with competition from other states, have created a need to diversify the economic base. The economic development strategy that is now evolving puts a strong emphasis on small business as the focus for development of the state economy and on utilizing complementary resources to aid the economic restructuring.

At the same time that the state was responding to this new economic reality, plans for the structure and implementation of the Job Training Partnership Act were being developed. Governor Mark White ran on a platform of education, job training, economic development, and coordination among the many agencies responsible for some aspect of human resource development. The new economic reality, the new administration, and the new JTPA — with its training focus, private sector orientation, and ability to positively affect operating capital — came together to create new opportunities for job creation. Because the administration believed that JTPA should be used for economic development, the transition from CETA to JTPA was planned and directed from the governor's office in order to maximize the new program's potential as a catalyst for links.

Equally important to the success of the series of linkage arrangements in Texas is the background of many of the people in positions which are key to implementation of the linkage agenda. The governor's deputy executive assistant for programs has long and strong experience with employment and training at the national, state, and local level, and was the governor's liaison for JTPA during its start-up phase. He now has responsibility for all state programs, including economic development, and is in a position to further the coordination efforts between economic development and employment and training.

The director of the Training and Employment Development Division, on the other hand, has a long and strong background in economic development. As a senior business development consultant with the Texas Economic Development Commission, he provided assistance to communities in establishing and carrying out economic development strategies. In 1983, he moved to the Texas Department of Community Affairs as special assistant for economic development. In that role, he designed the Economic Development Project Fund, described below, that encourages ties to PICs and hiring the disadvantaged in the resulting jobs. Now, he directs the state's JTPA program.

This knowledge of both sides by high-level management personnel is critical to coordination in Texas. It means that there is vision and leadership at the top, and it has allowed Texas to avoid a common barrier to linkage — inadequate knowledge of complementary programs by development and/or training staff.

Texas has no "state grand plan" or "coordination strategy" in the sense of a road map with detailed directions. Rather, after the structure and personnel are in place, state officials believe that they must hammer away at broad coordination concepts, case by case and grant by grant. According to the deputy executive assistant for programs, "You reinforce the coordination concept every time you see the opportunity, and you see it at the margin." This coordination philosophy, rather than a detailed strategy, is behind the evolutionary nature of links in Texas and is responsible for the variety of linkage mechanisms.

Structure

The principal state agencies in Texas with responsibilities for economic development and/or employment and training are:

- The Governor's Office of Economic Development, which carries out strategic planning for economic development and assists in coordinating activities among participating agencies by informal networking and mediation. The Governor's Office of Economic Development has training specialists on staff and provides coordination for many special statewide programs and cooperative state/local projects.
- The Texas Economic Development Commission, whose main function is to provide help to business through direct technical assistance and industrial revenue bonds.
- The Texas Department of Community Affairs, which has the majority of the programmatic resources available to support linkage initiatives. TDCA administers the Community Development Block Grant program, the Community Services Block Grant program, and JTPA.

The structure for encouraging links is one important element in Texas' coordination effort. Some consolidation of functions exists in the state administration, with JTPA and CDBG, including an economic development set-aside, housed in the same agency. At the substate level as well, attention is given to developing and using a structure that encourages links between job creation and job training. The state was strongly supportive of designating service delivery areas under JTPA that were coterminous with regional council boundaries. Regional councils are the JTPA administrative entities in approximately one-half of the SDAs in Texas. Because regional councils plan and often deliver services in a great variety of functional areas and across local government boundaries, the expectation is that this arrangement will foster greater coordination between JTPA and related programs, including job-creation activities.

A commitment to achieving the same goals is not assured even when similar programs are housed under one roof. Thus, Texas has paid attention to internal mechanisms for reinforcing shared goals. In the Texas Department of Community Affairs, for example, the state JTPA director is the chair of the Technical Review Committee which recommends projects under the Economic Development Project Fund. Agencies and resources are also assembled in new ways for special programmatic efforts, as the need or opportunity arises.

Among the several teams and programs organized in the linkage effort, the first was the Rapid Response Team. It was established by executive order in March 1985 to develop strategies and a capability to respond to unexpected economic dislocation. The team's purpose is to assist businesses faced with a potential plant closing, communities which must plan for diversification and economic growth, and workers who must develop new skills through retraining. Coordinated by the Governor's Office of Economic Development, the Rapid Response Team includes all agencies that affect economic development: TEDC, TDCA, the Texas Education Agency, the Texas Employment Commission, and the Texas Department of Human Resources. This array of services is brought together to assist a community to plan a coherent strategy for responding to sudden economic dislocation and to coordinate the delivery of state-level resources. The Rapid Response Team is supported with $1.1 million in Title III funds. In addition, each participating agency underwrites the time and travel of its team members. If, for example, a sudden and severe layoff were imminent, TEDC staff might provide consultation, as part of the Rapid Response Team, on soliciting the cooperation of local banks in developing non-closure options. The Texas Education Agency team member might coordinate skill upgrading activities through adult education centers or commit industrial start-up training funds for a new industry.

Programs and Procedures

The philosophy of coordination at the top, the organizational structure, and networking all support increased job creation and greater benefit to the economically disadvantaged. However, the real payoff comes in the specific programs and procedures that use JTPA as an incentive to job growth. Through education and negotiation, they assure that JTPA clients are hired in a portion of the jobs created.

Negotiation is possible because the state views JTPA as a business program and treats it as an incentive. As the state JTPA director notes, "We don't have to go begging; we're doing a service." Nevertheless, business needs to be educated on the bottom-line benefits of JTPA services before it will take advantage of them, and JTPA dollars help to "get your foot in the door." Once there, JTPA staff are able to show business how training and employment services can contribute to business growth. The state-developed programs and procedures allow staff to educate business leaders and encourage use of training services and hiring the disadvantaged. The idea of reciprocity, of negotiation, of persuasion is always present in linkage activities in Texas.

Texas administers the Economic Development Project Fund the economic development set-aside of the Small Cities CDBG program, through the Local Government Assistance Division in TDCA. Out of the $58 million state CDBG allocation, $11 million is set aside for economic development projects. The emphasis for the set-aside is job-creating business activity — start-ups and expansions. Competition for the projects is quarterly.

One objective for the development projects is to promote hiring of the economically disadvantaged by encouraging city and county applicants to use JTPA resources. This objective is accomplished through the competitive process. Of the total of 800 points awarded for various selection criteria (such as distress, minority contracting, project design), 75 are awarded for applications which show commitment to providing training and jobs for JTPA clients. To satisfy this competitive criterion, applicants initially were encouraged to contact the private industry council and get a letter of commitment for training, screening, or referring applicants to jobs created as a result of the development project. The weakness of this arrangement was that it put the responsibility on the PIC, which is neither the applicant, nor accountable for the results. TDCA wanted to strengthen the criterion by seeking commitments from the business which would benefit from the project. Now the state encourages the business receiving direct assistance to submit a letter of commitment to hire JTPA clients. The letter frequently will be cosigned by the PIC. Often the letter commits the business to hiring JTPA clients which the PIC will recruit, train, and refer. The specific arrangements worked out between the business and the PIC may be detailed in the letter.

To further strengthen the tie, the state JTPA director is the chair of the Technical Review Committee which reviews economic development applications and recommends projects for funding. This arrangement assures that creating jobs for low- and moderate-income persons remains an objective of the Economic Development Project Fund. Cooperating with PICs and hiring JTPA clients is not mandated by the state, but there is strong encouragement for a business to at least communicate with the PIC. If coordination with the PIC is not evident, a proposal will be less competitive. "Only" 75 points are at stake, but the cutoff between "winners" and "losers" is often only 40 or 50 points.

The Small Business Revitalization program in Texas is administered by the Texas Economic Development Commission. Like the program in other states, SBR in Texas is designed to assist firms in obtaining long-term financing for expansion. SBR staff work with state and local government institutions and commercial lenders to put together appropriate packages of assistance. Though housed in TEDC, several of the SBR professional staff are paid for by state JTPA funds through a contract with TDCA. The contract, which obligates $185,000 of JTPA resources for support of SBR staff, requires that TEDC incorporate a "first source" agreement in all SBR projects so that assisted businesses will look first to JTPA for their new employees. The contract projects that 200 jobs will be directly created through SBR and that persons eligible for JTPA will be given first consideration for these jobs. SBR staff encourage businesses to use on-the-job training, classroom training, and referral services. OJT is considered an effective incentive because it boosts the firm's capital at a critical time.

Training is another vehicle for promoting coordination. It is used to educate public administrators and the private sector on the incentive of job training as an economic development tool. Cross-training of staff in the five divisions of TDCA has been conducted.

An effort on the policy side to promote better and more extensive coordination is the decision to provide an independent staff for the State Job Training Coordinating Council. The Council had been staffed by the governor's office and TDCA, but there had been some concern that such an arrangement left the Council with a view that was too narrow, too agency-specific. Consequently, the decision was made to staff the Council through the Center for Human Resources at the University of Texas. This staffing arrangement is expected to permit the Council to become more independent, more global, more policy-oriented, and more involved with the policies and activities of other agencies. With the ability

EXHIBIT 2: Employer's letter of commitment for hiring which is included in the application for an Economic Development Grant in Texas

August 23, 1985

The Honorable Eugene Ridlehuber
Mayor of Plainview
P.O. Box 1870
Plainview, TX 79072

Dear Mayor Ridlehuber:

This is to confirm that our company will be expanding its manufacturing capacity to include two additional product lines. These product lines are non ag related, which will give us more diversification and stability. It is my understanding that the city will make application for an Economic Development Grant from the State on our behalf. It is necessary for us to receive this loan from the city, along with an SBA loan to put with the $200,000.00 of private money to make our expansion work.

If the city is funded, we will create the following jobs over a two year time span, at these annual salaries listed:

10	welders	$10,400.00
1	designer	12,480.00
1	draftsman	10,400.00
3	assembly men	10,400.00
1	painter	10,400.00
2	grinders	7,800.00
1	clerk/typist	10,400.00
1	janitor	7,800.00

Our company is an equal opportunity employer. We include within our hiring practice requests to the Texas Employment Commission for referrals of qualified unemployed applicants.

All the jobs listed above will be targeted to low and moderate income persons.

Sincerely,

James L. Miller
president

JLM/mdb

to research and study broad policy issues, the Council will be better able to recommend effective coordination criteria for SDAs.

State Support for Local Initiatives

An important part of the state's JTPA economic development strategy is to encourage service delivery areas to structure and implement their own coordination agenda. The state role in local linkage initiatives is perceived as both a trickle-down and trickle-up process. Given the great diversity of regions in Texas and the number of SDAs with different economies, organizations, and business/occupational mixes, no one local linkage "model" has been adopted by Texas state officials. The principles, structure, and programs the state has developed and put into practice, however, represent pieces of a training/development strategy that can be applied to any local situation. The state conducts workshops and develops publications that help establish the principles as the "natural order of things."

In May 1985, the Division of Training and Employment Development conducted training for PIC members on economic development as a complementary program of JTPA. Although state planning for the implementation of JTPA began with the assumption that job training cannot be successful without parallel job-creation activities, specific training for PIC members did not occur until the state itself had a solid track record on linkage implementation. The state structure and program initiatives now serve as an example for PICs to consider in light of local circumstances. The training included sessions on the nature of economic development, the kinds of commitments PICs should be seeking, how the state organized itself to adopt its linkage strategy, and what initiatives are possible.

To a large degree, state support for local initiatives is accomplished through regional councils. Regional councils in Texas are strong and active in many areas, including economic and community development, transportation, water quality management planning, aging, and employment and training. The responsibilities of Texas regional councils generally include both planning and technical assistance to member local governments, as well as service delivery. Texas is supportive of regional councils and works closely with them to promote intergovernmental coordination. The state has also encouraged regional council and business interaction as a component of its overall economic development program.

The state supports a strong regional council role in both employment and training and economic development in several ways:

- With the passage of JTPA, states were given the opportunity to determine, within broad guidelines, how substate political jurisdictions could be organized to effectively provide employment and training services. Among the designation criteria was one that requires that SDAs be consistent with labor market areas or areas in which related services are provided under other state or federal programs. The intent was to promote a more comprehensive approach to planning and delivering training services and greater coordination with related programs.

In Texas, the administration encouraged establishment of service delivery areas that were coterminous with regional councils. Under the law, units of local government with a population of 200,000 or more may recieve designation as independent SDAs; most such larger units of government in the country did. Nevertheless, in Texas, regional councils are the administrative entities in 17 of the 34 SDAs.

- The Community Development Project Fund of the Texas CDBG program has a strong regional focus. Rather than having cities and counties respond solely to state priorities and be reviewed by state officials solely against state criteria, the Community Development Project funds are awarded through a regional competitive process. The state sets parameters, screens all applications first for completeness and eligibility of proposed activities, and monitors the regional scoring sessions. Regional review committees, comprised of 12 elected officials from nonentitlement cities and counties, define priorities and criteria, and review and score the applications within their regions for those subjective selection factors related to project design and regional priorities. This procedural arrangement is designed to ensure that development priorities within regions receive attention and that the program is accessible to more communities.

  To further support the regional system, $750,000 is allocated each year among the regional councils to provide staff support for the review system and to provide technical assistance to applicants and grantees. Some regional councils conduct application workshops for eligible cities and counties, as does the state.

- Annually, $3.5 million is allocated to the 24 regional councils to provide basic support and to help leverage additional funds from other sources. The Intergovernmental Relations Division in the governor's office assists regional councils through frequent meetings and discussions of current issues with the Texas Association of Regional Councils.

Beaumont/Port Arthur

One way in which the state supports regional efforts is by funding and showcasing regional initiatives. The activity undertaken in the last year in the Beaumont/Port Arthur area in response to a large layoff is a case in point. The grant recipient and administrative entity for JTPA in the Beaumont/Port Arthur area is the South East Texas Regional Planning Commission. The Commission itself does not plan or deliver economic development services. As a council of governments, however, it is a natural source of information on local development activities and organizations and is concerned about the economic health of the region. This region — a 3-county area of 300,000 people — is heavily dependent on the oil and chemical industries. The announcement by Texaco, in September 1984, of a layoff of 1,200 employees was a severe blow to an economy already hard-hit by plant closings and layoffs.

The SDA approached the state to explore the extent to which state Title III resources could be used to mitigate the effects of the layoff. The package of Title III assistance that was developed included programs of direct assistance to the laid-off workers, as well as programs to assist business expansion and provide additional jobs in the community. The Title III package includes a job search assistance program, a small business assistance center, and a bid resource center.

The job search assistance activity, funded for one year at $1.4 million, began in November 1984 — one month before the layoff occurred — with an orientation for the soon-to-be dislocated workers on what services would be available under JTPA. Two program operators opened their doors in January and provided assistance in resume-writing, interviewing techniques, and resources for finding a job. The SDA's other activities in response to the layoff are directly related to job creation. Like the state JTPA officials, the regional planning commission's director of employment and training believes that "economic development is a vital part of what we're doing in the Job Training Partnership Act." With unemployment already at 12 percent, job creation was a critical element in the area's response to the dislocation.

One job-creation project is the small business assistance center run by the John Gray Institute, affiliated with Lamar University. Through seminars and workshops, the center offers training and assistance to dislocated workers and others on how to start up or expand a business. In an effort to reach more existing or potential business owners, the Institute has contacted all the area banks and gotten their agreement to refer to the small business assistance center those business customers whose loan applications have been turned down. The banks have agreed to reconsider loan applications from those who have received assistance from the center, thus increasing the probability of job creation. Although not explicitly part of the agreement, the Institute believes that banks will view more favorably the loan applications of dislocated workers and others who come to the center first and complete the business workshops. In six months of operation, 16 businesses, including two owned by dislocated workers, have opened their doors and are employing 42 workers.

The second job-creating activity funded by the South East Texas Regional Planning Commission is a bid resource center operated by a community-based organization, Programs for Human Services. The SDA had been funding the bid resource center as an employment-generating activity under Title IIA of JTPA, but the immediate and tangible needs for supportive services to participants placed a limit on the SDA's ability to expand the proven services of the bid resource center. The availability of state Title III funds permitted the center's services to be expanded and upgraded. The center was able to add staff and increase its outreach activities to make more businesses aware of its services. The center acts as a resource for businesses interested in securing federal contracts. Bid consultants at the center identify what government bids are out in relevant industry areas and what the specifications are. They assist a business in responding to a procurement offer. When a business first comes in to use the center, it gets a brief orientation, is told about the skilled work force available, and is encouraged to hire dislocated workers. Programs for Human Services, as an OJT contractor, not only helps businesses to expand their work force by securing government contracts, but also assists them in hiring a mature, reliable work force and receiving reimbursement for training. Since January 1985, 174 jobs have been created as a result of successful bids for federal contracts; 10 percent of these new employees have been or are being trained under a JTPA OJT contract. An additional 103 jobs have been retained. The Title III grant is $230,000 for one year.

In the case of the South East Texas Regional Planning Commission, the SDA did not need convincing by the state to support job creation. It already was funding the bid resource center. The support of the state enabled that activity to expand into areas that promise to create more jobs in this region of continued high unemployment. The center has been able, during the last year, to confirm the potential for business expansion through state procurements, and it is exploring the need for assistance in developing export trade activities.

Houston-Galveston Area Council

Another regional planning commission which is strategically linking its development and training functions is the Houston-Galveston Area Council. H-GAC was one of the first regional councils to be established in Texas. The Regional Planning Act of 1965 authorized regional councils in the state, and the Houston-Galveston Area Council was chartered in 1966. H-GAC covers an area of 12,500 square miles containing more than 3.7 million people. It serves 137 local governments, including 13 county governments, 99 cities, 16 school districts, and 9 soil and water conservation districts. It is governed by a 27-member board of directors, all of whom are local elected officials. H-GAC's $15.6 million annual budget in FY85 is a combination of local dues, state general appropriation, and federal grant and contract funds, almost half of which are passed through to local contractors.

The Houston-Galveston Area Council is a full-service regional council with responsibilities for all major planning functions as well as several service delivery activities. Among the comprehensive program activities under way are: local health planning; training and advisory services for local governments; assistance to local governments in applying for Community Development Block Grants; a cooperative purchasing program; home services for the elderly; and, juvenile delinquency prevention programs. H-GAC is an SBA-certified 503 company, as well as the grant recipient and administrative entity for the Job Training Partnership Act. The 1985 JTPA allocation was $6 million.

As has been true statewide in Texas, the major economic development problem in the region until recently was keeping up with rapid growth. The 1970s saw phenomenal growth in the region. Consequently, the only economic development activity undertaken by H-GAC in the mid-1970s was economic research. During this period of time, the most serious development problems were in the rural areas of the region. Rural communities did not share in the overall growth and had extremely limited resources or organizations for economic development. The need for job creation activities in these rural areas was evident in the Comprehensive Employment and Training Act programs. At that time, H-GAC was a prime sponsor under CETA. It was clear that training in rural areas would be unproductive and ineffective without a capacity to support job growth. Thus, the problem was twofold: The rural jurisdictions lacked organizations capable of promoting job-creating development, and residents in these rural areas were being trained for jobs that either did not exist or were not within commuting distance.

To address the problem of lack of jobs in rural areas, H-GAC sought and received a $40,000 governor's discretionary grant from the Texas Department of Community Affairs. This CETA grant, coupled with a 701 planning grant from the Department of Housing and Urban Development, was used to assist smaller communities in the region in organizing for economic development. H-GAC helped local governments create local industrial development corporations, chambers of commerce, or other development institutions and assisted such institutions in planning for and carrying out business and industrial prospecting. H-GAC also worked directly with business prospects to assist them in securing the financial resources necessary to start up or expand.

The increased development activity supported by the Comprehensive Employment and Training Act was expected to benefit the unemployed residents in both direct and indirect ways. First, development organizations were being established, giving the areas a capacity to create and retain jobs that did not exist before. Second, although much of the initial activity was directed at establishing development corporations, CETA's on-the-job training program was used as the link back to the unemployed in those cases in which employers were directly assisted in creating jobs.

The CETA demonstration grant was used to permit the regional council to move beyond economic research and begin its direct support of job creation. This early experience has been expanded so that today JTPA funds support a broad array of development activities. Among the services offered by H-GAC are:

- Helping chambers of commerce and other development organizations to conduct labor force studies and identify barriers to economic development; training these institutions in business planning and prospecting
- Assisting local governments in creating local development organizations, addressing the problems of inadequate facilities, and securing resources under state or federal government programs
- Helping business and industrial prospects with information needed for investment decisions and with financial and job training resources, as required
- Sponsoring and/or conducting regional and subregional seminars for member governments on financial resources and techniques for planning and prospecting for new and expanding businesses and industries

In 1980 the Economic Development Division was transferred into H-GAC's Employment and Training Department where it is entirely funded by the Job Training Partnership Act. Economic development staff are responsible for assisting governments, development organizations, and businesses with all their development needs from economic data, to financial resources, to training a work force. The staff person who works with a business prospect on loans is also the person responsible for encouraging the use of JTPA and making arrangements for the use of OJT. In a typical case, the H-GAC economic development coordinator, while assisting a client with a financial package, will explain how TJTC and OJT can be used to improve the client's cash flow as well as prepare a work force with the skills required for the specific employer. H-GAC staff will alert SER, the OJT contractor, to the expected hiring dates for upcoming jobs. SER then works with the employer to negotiate a simple contract for the partial reimbursement of the employee's wages and to recruit and refer persons who meet the employer's specifications.

In 1984, the Economic Development Division was supported by approximately $80,000 of JTPA administrative funds. In that period of time, the staff assisted

36 chambers of commerce and development corporations, 36 local governments, and 138 business and industrial prospects in strengthening their eligibility to create jobs.

Conclusion

Coordination in Texas begins with policy initiatives and some functional consolidation; it is strongly buttressed by specific procedures and programs which provide the mechanisms for implementing the linkage agenda. The state encourages linkages at the local level by setting an example, by training substate officials and staff, and by providing resources for local coordinated activities.

NEBRASKA

Introduction

Efforts to coordinate economic development and training programs in Nebraska began as an attempt to increase communications across departmental lines and to bring training expertise to the implementation of a small, state industrial training fund housed in the development department. The success of the initial activity has resulted in additional and more flexible state training resources, a set-aside of local training resources for use by the state in job-creating activities, and the widespread acceptance of job training as an incentive to job creation. The approach to linkage in Nebraska includes:

1. The job training liaison, an organizational mechanism for coordination. This position is funded by the Department of Labor and housed in the Department of Economic Development. Its primary responsibility is to package the resources necessary to deliver skilled workers to new and expanding businesses.

2. A variety of state and local training resources available as incentives for job creation. In fiscal year 1985, the job training liaison had access to:

   - $175,000 in state general funds for industrial training
   - $3.6 million in the economic development set-aside of the state's Community Development Block Grant program, which may be used for job creation activities, including job training
   - $23,000 set-aside of state vocational education funds
   - $72,000 JTPA set-aside from the Greater Nebraska Service Delivery Area, and a commitment from all three SDAs to consider requests for JTPA resources on a project-by-project basis

Governor Robert Kerrey came to office in 1982 with a high priority on economic development. The Nebraska economy, traditionally dependent on agriculture, was undergoing a dramatic change. The decline of the agricultural economy, the emergence of dislocated farmers as the new class of unemployed workers, and the ripple effect experienced in all parts of the state's economy – from manufacturing to retail – were all part of this change. There was a sense of urgency about the need to assist communities in the economic restructuring that must occur across the state. The governor's belief that economic development must be on everybody's agenda was reflected in his appointments to the leadership posts in the Departments of Labor and Economic Development. Clearly, successful restructuring of the economy could not occur without retraining part of the Nebraska work force. It was equally clear that businesses considering locating or expanding in Nebraska needed assurance that a skilled work force could be recruited and trained with a minimum of red tape and expense. Nebraska, like many other states, was faced with the apparent dichotomy of a profusion of federal- or state-funded training programs, but a difficulty in finding workers with appropriate skills.

The Job Training Liaison

The centerpiece of Nebraska's linkage activity is the job training liaison, a position empowered to represent both the Department of Labor and the Department of Economic Development in assisting businesses to plan for their work force needs. The idea for coordination, developed over a period of years, began modestly, and, following initial success, evolved to include additional training resources and additional benefits for each department and its clients.

Prior to the job training liaison, there had been only one case in Nebraska of a project which linked training resources from the two departments. In 1981, Sunstrand Aviation Operations, a Fortune 500 corporation, built a new manufacturing facility in York, Nebraska, in part because of the offer of training assistance from the Department of Economic Development. Because insufficient resources were available from the Industrial Training Fund, DED combined ITF monies with funds from the Comprehensive Employment and Training Act to pay for a machinist training program developed to Sunstrand's specifications. That program put 100 Nebraskans on Sunstrand's payroll. With more openings expected and based on the successful CETA participation, subsequent projects at Sunstrand coupled JTPA and the Industrial Training Fund for a combined pre-employment and on-the-job training program.

This CETA-funded program had an importance beyond the success of the training. One bonus was the willingness of Sunstrand's plant manager to become an advocate of Nebraska's economic development and job training efforts. He has worked tirelessly with the state to meet with businesses considering investment in Nebraska. The director of DED described the importance of the private sector advocacy in a specific development project in this way: "We had hundreds of bureaucrats with all their expertise at this meeting. But, what really clinched the deal was this industrialist coming in and saying, 'Gentlemen, this is what the state is doing for me. These are not false promises.' " In addition, although the experience was isolated, its solid success established a confidence that allowed officials to proceed with broader coordination goals.

The concept of a job training liaison developed against the background of project success at Sunstrand, the implementation of JTPA with its private sector emphasis, and a new state administration which believed that Nebraska's resources must be used together if the state was to respond adequately to the new economic reality.

EXHIBIT 3: Job description for position of Job Training Liaison in Nebraska

Job Training Liaison

Under administrative direction, responsible for assuring coordinated effort of interagency job training activities.

1. Contact with industry officials and/or development professionals regarding human resource training and development programs.
2. Coordination of service providers (i.e., JTPA; Community Colleges; Job Service) for the delivery of industrial recruitment and training projects.
3. Technical assistance in the design of job training activities under the Community Development Block Grant program.
4. Design of position specific training activities including job specifications, job tasks, qualifications, etc.
5. Analyzing problems and implementing strategies for the successful accomplishment of industrial training projects.
6. Preparation and negotiation of contracts.
7. Management of the State's Industrial Training Fund.
8. Technical assistance to contractors in the management of job training resources.
9. Presentations and public speaking.
10. Other development oriented activities (i.e., working knowledge of financing and other assistance programs).

The Department of Economic Development in Nebraska has responsibility for industrial promotion, community affairs, tourism, and business and housing finance. As part of its duties, the department administers the Small Cities Community Development Block Grant program and the Industrial Training Fund. The fact that this training fund was underused at the same time that the department's research division was underscoring the critical importance of work force availability in business investment decisions convinced the director that training expertise was essential to DED's function. DED wanted to be able to package existing training resources and to access the additional resources available through JTPA. The director knew that the department's ability to provide training as an incentive would have a major impact on its success in attracting businesses and encouraging expansion of in-state firms.

The new Commissioner of Labor knew that the real customer of JTPA and Job Service is business. He maintained, "We can't help our traditional clients without jobs." Despite the new private-sector orientation of JTPA, the department's image had long been one of an over-regulated bureaucracy, unfriendly to business. Thus, the Department of Labor's objectives for coordination were to create a DOL presence at the business-oriented DED and to gain access to the jobs resulting from DED's incentives.

Both agencies recognized the benefits of closer cooperation, and discussions between their respective officials led to the creation of a job training liaison position. The ultimate agreement was to fund the position from DOL's JTPA administrative funds and to house the position in DED. Under this arrangement, DOL is "at the table" with businesses seeking DED's assistance in relocation or expansion and is able to offer additional assistance in preparing a skilled work force. Because the job training liaison reports to the director of training in DOL and because they have weekly meetings, DOL is able to maintain its authority and has its interests well-represented in DED. These weekly meetings keep the job training liaison knowledgeable about current policies and programs. Knowledge, expertise, and access to DOL resources is what makes the liaison useful to DED and, ultimately, to the business community.

The primary duty of the job training liaison is to package training programs for individual employers, working with local organizations to assure successful implementation. Implicit in this arrangement and central to its success is the customized, flexible, "deal-making" atmosphere that is attributed to the positioning of the job training liaison in DED. As with land or financing needs, human capital needs are unique for every business. Training packages are put together case by case, from a growing variety of resources.

Originally, the liaison worked primarily with the $100,000 development training fund, which is used primarily for pre-employment training. As this fund became fully committed, the need for access to additional training resources was obvious. JTPA had those resources, and the liaison began to work with the three service delivery areas in the state. Because JTPA funding decisions are made locally, the liaison identifies the training opportunities with DED's business clients and advises the appropriate SDA, which makes the funding commitment. The success of the liaison in matching up employers' needs for skilled workers with state and local training resources has, for the most part, overcome the initial reluctance of the local JTPA system. The SDA concern over accountability and "being committed" by the state had to be balanced with the liaison's need to respond with "confidence" in the state's ability to meet specific project needs. These concerns diminished after a short period of time as confidence in the new system grew. In 1985, the Greater Nebraska SDA set aside $72,000 of Title III funds for use by the liaison in development projects within its boundaries. Other funds may be available from any of the SDAs on a project basis.

Economic Development Set-Aside

State-appropriated industrial training funds are limited in amount, and JTPA resources are limited by client characteristics. These realities and the success of the liaison in packaging training resources demonstrated the need for an additional and more flexible state training capability. Nebraska's answer was to establish training as an allowable activity for the economic development projects of the state's Community Development Block Grant program. Cities with a population of less than 50,000 may apply for training funds for a specific project which will increase the jobs available for low- and moderate-income persons. Block Grant funds may not be used to create a pool of skilled workers in the hope that an employer will be found to use them, and they are not used for retraining unless job retention is a critical issue. Training grants are primarily used for on-the-job training, but can be used for instructors and training equipment rentals. A 50 percent match of the grant amount is required and often comprises company personnel, equipment, or the wages paid to trainees.

The limit on an individual project is $500,000. In FY84 and FY85, two projects were funded with economic development set-aside funds, one with Land O' Lakes for $229,000 and one with Lockwood for $294,000. In the case of Lockwood, a manufacturer of agricultural equipment, the company acquired a new product line which would create 225 jobs. Because of the CDBG and JTPA participation, 112 of the new jobs went to low- and moderate-income persons and 70 are expected to be filled by persons who are economically disadvantaged. The combination of CDBG, JTPA, state training funds, and Lockwood's investment produced an $800,000 training package. Packages of this size and variety were not possible until one person had the responsiblity to identify and package the right combination of resources for a specific employer.

Conclusion

Much of the initial success of the job training liaison can be attributed to the skills and dedication of the first and current incumbent. Selected because of his knowledge of training programs, his contacts with the training community throughout the state, and his commitment to the linkage idea, the job training liaison has been instrumental in developing new resources for training and in encouraging state and local institutions to use training dollars to support job creation. The vision and leadership of top agency officials was also required to overcome traditional turf problems. At both the Department of Labor and the Department of Economic Development, officials saw benefits not only for their own programs, but for the state's ability to create jobs. The urgency of that mission created the perseverance and commitment among top officials that allowed the job training liaison to succeed.

Business response to the liaison concept has been very positive. Employers view the job training liaison as a one-stop training resource, which saves them money, paperwork, and time. Employers are not burdened with the eligibility requirements of JTPA, CDBG, or other programs nor with how many trainees are funded by one source or another. The liaison's job is to understand the employer's skill needs and find the appropriate resources to satisfy those needs. The assistance provided by the liaison is not targeted to any specific population group, but, as JTPA or CDBG funds are used, appropriate clients are screened into the training program.

In Nebraska the integration of functions occurs through the position of the job training liaison. Rather than creating new organizations or new funding authorities, officials decided to use the existing structures and programs in new ways that could serve the common job-creation objectives.

What began as an effort involving federal and state resources, state organizations, and state staff has — through persuasion and example — begun to include local resources, operations, and staff as well. Local JTPA resources are used with increasing frequency in state training packages. More and more, SDAs are reaching out to chambers of commerce and local development corporations and spending funds for employment-generating activities. Technical community college staff, resources, and programs are increasingly part of state-initiated training packages.

Since the job training liaison began, over 1,500 jobs have been created as a result of the training packages assembled with $2.5 million of state and local resources, including $732,000 in JTPA commitments. Based on this level of JTPA participation, 25% of the jobs created are expected to be filled by economically disadvantaged persons.

PROGRAMMATIC LINKAGES

Other states that may not have undertaken coordination systems as extensive as those in Illinois, Texas, and Nebraska have carried out specific initiatives that link employment and development programs. The four cases presented in this section illustrate the diversity of techniques that may be employed to organize, finance, and operate such programs.

The Iowa Jobs Training Program is financed through an innovative approach that requires no state or local government expenditures nor any spending by the companies that benefit from the training provided through the program. In Ohio, the Department of Development and the Division of Vocational Education in the Department of Education have collaborated since 1981 on the Ohio Industrial Training Program which provides unencumbered training support to businesses that are creating jobs in Ohio through expansion or location. Michigan's strategy for manufacturing modernization includes measures to upgrade the skills of workers along with improved manufacturing processes. And, in California, a major policy shift has made available a very substantial pool of resources for retraining the state's workers to accommodate the economic transition underway in that state.

Each of the profiles, although focusing on a specific program, describes the background and context to provide an understanding of how the program came into being and relates programs, agencies, and activities within the state.

IOWA

Introduction

Iowa's economy is heavily agricultural, and the state's prosperity remains dependent on the success of agriculture. The key change over the past several decades has been in the productivity of agriculture, including vastly improved agriculture management and marketing techniques. Over the long run, Iowa's agriculture has been prosperous as well as productive, yet in the early 1980s Iowa's farmers suffered severe setbacks. In addition, sales of agricultural machinery, Iowa's principal manufacturing industry, virtually stopped. Iowa's development efforts have focused on maintaining progress in its agricultural sector and diversifying its economic base.

In Iowa a substantial effort has been made at both the state and local levels to promote training as an important incentive for economic development. A key component of the state's linkage effort is the Iowa Jobs Training Program, which provides customized training to businesses as an incentive for economic development. Through a unique funding mechanism, financing is provided through the sale of bonds. No state appropriation is required. The Iowa Jobs Training Program illustrates the commitment of the administration and legislature to developing innovative programs that benefit Iowa's businesses and residents.

The Iowa Development Commission is the state agency primarily responsible for economic development. It has several divisions: the Marketing Division, which has responsibility for the Iowa Jobs Training Program; the Community Resources Division, which provides technical assistance to local communities; the Small

Business Division; the Research and Development Division; and, the Communications Division. The state has also established a High Technology Council which promotes and supports research, development, and technology transfer activities. The Iowa Product Development Corporation provides risk capital to stimulate the development of new products.

At the state level, JTPA is administered by the Office for Planning and Programming, an executive arm of the governor's office. Job Service is an independent state agency, not housed within any other department. The state's vocational education training program, the New and Expanding Business and Industry Training program, is administered by the Department of Public Instruction and is currently funded with approximately $600,000. It is used primarily for retraining and upgrading activities and for helping community colleges to hire business outreach personnel.

The Iowa Jobs Training Program

The Iowa Jobs Training Program was established in 1983. Administered by the Human Resources Section of the Iowa Development Commission, it has two basic purposes:

1. to train Iowa's work force, increasing worker productivity and decreasing unemployment and worker turnover
2. to provide an incentive for economic development by significantly lowering business start-up costs and increasing profitability

Responding to the state's lagging economy, the legislature designed the program to supplement existing training programs and provide training to a broader range of people than JTPA could assist. The program is job-focused in order to train workers for actual jobs. It is administered through the community colleges which initiate training agreements with the companies, although consultants and university faculty have been used to provide the actual training.

The training programs, designed by the community colleges, may include pre-employment screening and counseling, skill assessment, orientation, pre-employment training, and on-the-job training specifically tailored for each individual business. The program can cover costs for the instructor, the equipment, the classroom space, and up to 50 percent of the salaries of trainees for new and expanding businesses during on-the-job training for up to a year. With the exceptions of industries relocating within Iowa, and retail, health, and professional services, any new or expanding business that manufacturers a product or provides services is eligible. There are no eligibility requirements for new employees.

Although the services of the training program are similar to many other state industrial training programs, the financing is not. The legislature wanted to finance the program without an increase in taxes or a direct state appropriation. The training costs are funded through the sale of bonds, called "training certificates." The certificates are issued by area community colleges and proceeds of the certificate sales are used to conduct training programs and to reimburse the company for the training costs. The certificates are paid back by funds generated by the new jobs through: (1) a withholding tax credit of 1.5 percent of the trainee's wages that goes directly to the business for payment to the college; and (2) the incremental property tax generated by the new investment in facilities and equipment associated with the new jobs. The two tax sources may be committed to paying for the certificates for up to ten years. The program does not increase a company's taxes and requires no match of funds from the company. There is no limit on financial commitment for a single project except that imposed by funding from the two tax sources.

Business satisfaction with the program has been assessed by requesting the community colleges to include in their annual reports to IDC an evaluation of the training program from the client business. The response has been very positive. Training agreements have been negotiated for 3,700 jobs, accounting for almost $11 million in funding commitments. Agreements currently in negotiation cover an additional 2,600 jobs.

The program's basic elements have remained the same since its creation in 1983, but a new component was added in 1985 to address the needs of small businesses. Many felt that the difficulty in issuing and selling smaller training certificates placed small businesses at a particular disadvantage. In response to this problem, the Iowa Small Business New Jobs Training Act created a program virtually identical to the Jobs Training Program except that its up-front costs will not be raised through the sale of bonds. Instead, it provided a state appropriation of $1 million to establish a training fund, essentially a revolving loan fund, to provide loans to employers for program costs, upon the request of the community college providing the training. The funds will be paid back with interest from the same two sources as the certificates in the Iowa Jobs Training Program, as agreed upon for each project (the 1.5 percent withholding tax and the incremental property tax). Each project is limited to an advance of $75,000.

Other Linkage Efforts

The effort to leverage other resources has been furthered by the creation of a new position: the job training coordinator. Working out of the Iowa Development Commission, the job training coordinator administers the Iowa Jobs Training Program and is also charged with tying together the training programs of the Iowa Department of Public Instruction, the Office for Planning and Programming, and the IDC. The initiative for the establishment of the coordination position came jointly from the three major state agencies responsible for employment and training programs. The position is funded out of JTPA 8-percent money. The temporary position of the business and industry training liaison, within the IDC, was also created and is funded by JTPA. The liaison assists with program coordination.

The Iowa Jobs Training Program has coordinated services with a number of other programs, including New and Expanding Business and Industry Training, JTPA, and Job Service. JTPA and Job Service are involved in most projects. Local cooperative efforts have also been enhanced because eight of the state's 16 SDA's are located at community colleges which administer the training under the state's industrial training program.

Strategy Implementation

The Jobs Training Program is an integral part of the state's overall economic development strategy. That strategy, approved by the governor and legislature, consists of nine overall goals including improving the education, training, and productivity of the state's work force. The Governor's Coordination and Special Services Plan established criteria for coordinating JTPA and economic development at the state level. The governor has an informal advisory panel of cabinet level officials that meets on a regular basis. The panel includes the heads of Public Instruction, the Office for Planning and Programming, the Department of Revenue, and IDC.

Linkage has also been strengthened through integrated marketing, staff development, information dissemination, and training. The Development Commission has produced marketing materials promoting training incentives, including: Iowa Jobs Training, JTPA, the New Jobs Tax Credit, exemption on sales and use tax on machinery and equipment, and vocational education funds. The New Jobs Tax Credit is available to new and existing businesses which increase their employment by 10 percent and which have entered into a training agreement under the Jobs Training Program; they receive a tax credit toward their corporate income tax. The sales and use tax exemption is for firms which have entered into a training agreement under the Iowa Jobs Training Program. Vocational education funds can be used to reimburse travel, supplies, and salaries for instructors needed for employee training or retraining. These funds are also available to retail businesses.

Cross-training of state staff on the various employment and training resources and programs has been conducted for staff from the Department of Revenue, Office for Planning and Programming, Public Instruction, and the Development Commission. A series of seminars presented by IDC to local development officials, "Partnerships in Human Resource Development," included an overview of the roles of Job Service, JTPA, Office for Planning and Programming, the community colleges, and IDC. The seminars also included a series of case studies of actual training situations and how the various training resources could assist businesses and workers.

IDC is also addressing the changing technology of the workplace and productivity-improvement measures. It has provided training on productivity for persons in each of Iowa's 15 community college areas. One staff person from the college and one private sector, quality control employee from each area were trained in an intensive, week-long session in late July of 1984. They, in turn, are training others. The course, entitled "Transformation of American Industry," was developed by Michigan's Jackson Community College, with support from TRW, Ford, Hydromatic Division of GM, Eaton Corporation, and the Iowa Productivity Consortium. The Productivity Consortium is a loosely confederated group of governmental, educational, and private agencies. The training was also supported by $50,000 in JTPA funds and $40,000 in vocational education funds.

Conclusion

Iowa has demonstrated both inventiveness and determination in its effort to link employment and training and economic development resources. Its success has been built on the conviction that training programs can be an important economic development incentive and the strong desire to get full value from its resources by coordinating them. Iowa also has benefited from open lines of communication and widespread information-sharing.

EXHIBIT 4: Hypothetical case study used in the training program for local economic development and employment and training personnel in Iowa

"PARTNERSHIPS IN HUMAN RESOURCE DEVELOPMENT"

Case Studies

CASE NO. 3 – BUSINESS RELOCATION

A major insurance company has decided to consolidate several of its regional operations for claims and accounting. The local center manager has been told that Iowa is competing with three other midwestern states as a site for the relocation. She calls the Iowa Development Commission indicating their needs, and the Iowa Development Commission contacts your area, because the company's Iowa facilities are there.

The plan is explained as follows:

> The company will add $1 million in building space and about $2.5 million in computer-type equipment, about $1 million of which would be considered real property for tax purposes. They plan to consolidate and automate, which means about 200 people will be laid-off company-wide, including employees in other states, but only 110 will be required at the new center in addition to those already there.

The manager is aware of her company's commitment to training its personnel. They want high-quality persons who can be cross-trained to do more than one job at the center if necessary. For that reason, they will be paying $6.00 per hour to new personnel to attract high-quality persons. Their previous experience indicates they would hire 80 percent females, 20 percent males to staff the center.

Most of the jobs would involve computer-type operations including word-processing, accounting functions and working with claims programs. The work is specific to the company. They are interested in pre-training, if available.

The company wants to screen vigorously and have much input into selection and training, but the bottom-line cost of all this is important.

PLEASE DESCRIBE HOW, WHAT, WHEN AND WHO WILL ASSIST THIS FIRM.

1) Describe how Job Service might best be of assistance.
2) Describe the role of the community college.
3) Describe JTPA involvement, if any.
4) Describe how the above may work cooperatively (in sequence, if possible) to provide maximum incentives to this firm.

OHIO

Introduction

Ohio is basically a manufacturing state and ranks third in value added by manufacturing, not far behind California and New York. However, over the past several decades, American manufacturing has not been growing as rapidly as the economy generally. Ohio's economy has grown more slowly than the national average. The state has changed significantly in the past two decades, losing capital, jobs, and people at a record pace. As with many of the more industrialized states, Ohio's development efforts have focused on upgrading and revitalizing its manufacturing base and encouraging new business creation.

The Ohio Department of Development administers the Ohio Industrial Training Program (OITP), a state-sponsored, customized training program. Customized training programs link training with economic development objectives, because specific skill training is done for specific companies which are either starting a new facility, expanding an existing facility, or upgrading production methods. Each situation means creating additional jobs for skilled workers, or retaining existing jobs. Many states offer some degree of customized training as an incentive to business to locate or expand operations. OITP is a good example of such a state program with strong local participation and management.

Ohio's program provides customized training for new and expanding Ohio businesses during their critical start-up period. The program favors manufacturing projects, although some warehouse and service industry projects have been done. Training for newly created jobs is stressed. However, retraining and upgrading of skills is allowed in order to retain jobs.

Initiated from the governor's office in 1984, OITP was a direct response to restrictions, both real and perceived, of the programs under the Comprehensive Employment and Training Act. The Department of Development, the economic development agency for Ohio, received CETA funds for on-the-job training. However, it did not use the funds because the training had to serve targeted populations, and development officials felt this would limit their ability to promote training as an incentive to businesses. Although the CETA program was seen as an inadequate incentive for businesses, DOD officials did see the need for some type of training program that could serve as a business development incentive.

Organization

The Ohio Industrial Training Program is a collaborative effort of the Department of Development and the Division of Vocational Education in the Ohio Department of Education. Funding was first approved by the General Assembly in November of 1981. For the two-year period beginning in July 1985, $22 million is available. Cooperatively managed by the Department of Development and the Division of Vocational Education, with each agency assigning staff to the program, OITP is driven by economic development objectives and is perceived as an economic development tool.

Day-to-day program management occurs at the local level. For this purpose, the state is divided into 19 districts. Each district has a local OITP board whose members are drawn from public educational institutions, economic development agencies, chambers of commerce, and the local business community. Grants are provided to each of the 19 districts on a formula basis. The local OITP board is usually responsible for hiring a director who coordinates activities with local service providers and provides on-site project oversight.

The state acts as a broker, matching resources available from the local providers with the needs of business and industry. The state also provides financial assistance to the business for the training. OITP pays up to 50 percent of the following: the costs of assessing the needs of employees and employers; instructor costs; the costs of training a company employee to be the trainer; curriculum and training material development; software rental and/or purchase; textbooks and materials; equipment/facility rental; and, consumable training supplies. The state does not pay wages for the trainees.

Marketing

Typically, state industrial development representatives market the program to businesses. However, to become involved in the program, the business usually applies through the local OITP office. The director of the local OITP office submits a proposal to the state OITP office describing the type of training needed, the potential employees, and the available resources. The state then determines how much, if any, is to be spent on each project. State staff meet once a week to review all proposals. Recommendations are then made to the deputy director of the Business Development Division within the Department of Development. The recommended proposals are then approved by legal and budgeting offices before any dollars are spent. The selected projects are funded through grants in which a local public education institution is the recipient and the company is the beneficiary.

Qualifications and red tape are minimal. The company selects its own employees. The state does not consider the amount of leveraging and places no limitations on the amount of public subsidy for each project. Funds can be used for training for specific skills needed for a job, and for related skills and activities, such as management and decision-making skills, employee participation groups, and quality control circles. There has been some discussion among the staff about targeting training for the machine tool industry, but no action has yet been taken.

The program is especially responsive to the needs of businesses because there is local control. A local official is responsible for project coordination, and the company is directly involved in monitoring the training program.

The Ohio Industrial Training Program has been successful on many fronts. Between 1982 and 1985, 624 projects were funded, creating 53,094 new jobs, training a total of 219,218 workers, and accounting for over $5 billion in capital investment associated with the training program. Additionally, the program has built links between the Department of Development and the Vocational Education Division and between this partnership and the consortium of local OITP offices. These linkages are a very important basis for supporting any further projects that involve training and economic development both at the state level and between the state and local levels.

CALIFORNIA

Introduction

In spite of California's generally prosperous economy, many communities have been adversely affected by plant closings and major layoffs in the past few years. Several of California's leading industries have been especially hard-hit. An estimated 176,000 jobs were lost between 1980 and 1984 as a result of 1,800 plant closings. From March 1984 to March 1985, 40,000 people lost jobs in California through plant closings or layoffs. Plant closings during the 1980-82 recession were most frequent in the food processing, transportation equipment, apparel, fabricated metals, tires and rubber products, and lumber industries. In 1984 and 1985, however, closings and layoffs in banking, food retailing, and the computer and electronics industry accounted for over half of the lost jobs.

The state government initiated several programs to provide training and retraining, to coordinate economic development and training programs, and to directly address the plant shutdown problem. The interagency California Economic Adjustment Team was created in 1981 to provide a coordinated response to the plant closing problem. The Employment Training Panel, the state's customized training program, was established in 1983.

In addition to its broader-based efforts, California has a very strong and active local economic development community. This, coupled with the local focus of the JTPA program (California has 50 SDAs), increases the need for greater state/local coordination; it has led California officials to carry out many activities aimed at improving communication and working relationships.

The Employment Training Panel

The Employment Training Panel held its first meeting in January 1983. The ETP is a seven-member panel, including representatives from business and labor; its members are appointed by the governor and the legislature. The authorizing legislation for the ETP states that its aims are:

> . . . (to) use a small portion of employer taxes to put unemployment insurance recipients to work by encouraging employers to locate and expand facilities in the State and training unemployment insurance recipients in skills needed by employers; . . . and (to) establish an employment training program which shall foster job creation, minimize employers' unemployment costs, and meet employers' needs for skilled workers. . . .

The Panel is specifically charged with the twin responsibilities of retraining and economic development. It was established with the underlying philosophy that training programs can indirectly benefit many additional workers by promoting economic development, bringing new jobs to California, and demonstrating the value of job-specific training programs.

The Panel was designed to respond to the demand for more highly skilled workers created by the increasing economic and technological changes in California's industries. Thus, where employment and training programs have customarily been used for new or expanding businesses, the ETP programs are designed specifically to respond to the need for retraining workers so that businesses and jobs can be retained.

The Employment Training Panel is financed with funds transferred from the unemployment insurance system. Because federal law prohibits the direct use of unemployment insurance funds for training, the ETP legislation reduces the unemployment insurance tax by one-tenth of one percent of taxable wages for employers and imposes a new state tax in the same amount. The unemployment insurance funding is considered appropriate because the program puts people back to work, helping to reduce unemployment insurance costs.

Although housed within the Employment Development Department, which also administers the JTPA program, the Panel operates as an independent agency, in part because its funding is not a direct state appropriation. Each year approximately $55 million is available for training through the Panel.

The ETP awards funds on a project-specific basis to those who will provide training. The Panel can contract directly with a business to provide its own training or subcontract the training to a public or private agency. The paperwork is kept to a minimum, and the Panel works directly with business and labor to develop the training programs. Unions have helped develop about one-third of the training projects. Training can be classroom, laboratory, or on-the-job. The funds can be used only for reimbursement of actual training costs incurred by employers and training agencies and for administrative costs. No funds may be spent to pay stipends or subsidize wages paid to trainees.

The program focuses tightly on the job at the end of training. Training is supported only when the employer who will hire the trainees is identified and consulted about the adequacy of the training. Projects involve a wide range of industries, including aerospace, food processing, electronics, agriculture, manufacturing, and various service industries. Many projects involve high technology businesses or provide assistance to existing businesses to adjust to changing technology without laying off workers.

Retraining activities are geared to helping workers who have lost their jobs and cannot readily find new ones and those who are threatened with unemployment because they lack the training and the skill to compete for and hold existing jobs. Preference is given to employers who are expanding their businesses in California, generating employment in target areas, or experiencing critical skills shortages.

The program differs from JTPA in two significant respects: It can serve employed workers, and it can fund much larger projects because the funds are not distributed by formula to local areas. Between 1983 and 1985, the ETP had committed some $70 million to train more than 20,000 private sector workers for more than 1,500 businesses. Individual projects have ranged from $12,000 to $5 million. For example, the College of San Mateo developed a program, in cooperation with Ford and the United Auto Workers, to train laid-off auto workers from a Ford assembly plant. The program, funded for $135,800, will train the workers as microwave technicians for nearby Silicon Valley firms.

The California Economic Adjustment Team

The Department of Commerce is the lead agency for economic development in the state. It provides a full range of services to help promote business and employment development in California and works closely with economic development corporations, community organizations, municipal governments, and the business community. DOC administers the state's enterprise zone program and has also established several small business development centers around the state which provide counseling, product development assistance, technical assistance, an incubator program, and a technology transfer program.

The department includes the Offices of Business Development, Small Business Development, Tourism, Local Economic Development, and Planning, Policy and Research Development. The Office of Local Economic Development administers the $9 million economic development set-aside portion of the state's Small Cities CDBG program. The Office has used these funds to set up a loan fund which can provide up to $600,000 per year to eligible cities or counties.

One significant way in which the Department of Commerce supports linkage is through its involvement with the California Economic Adjustment Team. Since 1981, the California Economic Adjustment Team has been charged with: coordinating state and local resources to respond to plant closings; examining alternatives to closings and layoffs; and, where possible, anticipating closings and assisting in retaining firms. The Team is made up of the superintendent of public instruction, the chancellor of California community colleges, and the directors of the Department of Industrial Relations, the Employment Development Department, and the Office of Planning and Research. The director of the Department of Commerce serves as the chair of CEAT.

CEAT's activities include:

- providing statewide research and information regarding California industries or geographical areas most likely to experience plant closings in the future
- assisting local communities to examine potential ways to keep a plant open (e.g., new product development, employee/community ownership, and streamlined government regulation)
- providing preclosing assistance to workers and communities when advance notice is given
- encouraging partnerships between local economic development organizations and education, training, and placement agencies
- retraining workers and encouraging skills transference and work-sharing
- marketing vacant industrial facilities to businesses considering locating or expanding in California.

Partially funded with JTPA Title III resources, the Economic Adjustment Unit is housed in the Department of Commerce and provides the primary staff support for CEAT. The Unit's focus has been broadened in recent years. In addition to responding to plant closings as part of the CEAT team, the Unit has worked to establish business attraction programs in areas of high unemployment and business retention programs. In general, EAU helps link retraining programs with economic development efforts. Linkage activities include:

- promoting the use of training resources in economic development activities
- helping to establish program and project coordination at the local level

- acting as liaison between state-level economic development and employment and training efforts, including providing technical expertise and reviewing economic development policy and projects
- responding, on a daily basis, to questions from SDAs, as well as providing on-site assistance in specific cases

When addressing a plant-closing situation, EAU discusses with plant management the reasons for the closing. The Unit explores ways of keeping the plant open with management, the union, and community officials. Finally, EAU coordinates state support for a dislocated worker service program. One of the specific state resources CEAT uses to aid displaced workers is the California Employment Training Panel.

The Unit administers a $1.3 million loan fund for businesses and a $500,000 grant fund targeted to communities adversely impacted by plant closings. These two funds are supported by a number of sources: the federal Economic Development Administration (Sudden and Severe Economic Dislocation program), the ETP, and the California Economic Development Grant and Loan Fund. Funds from the SSED program have been used to avert shutdowns through preclosing intervention assistance and business retention and for local economic development. DOC applies to EDA for the funds and reallocates funds to eligible counties. These loans require agreements to hire ETP- or JTPA-eligible people.

In one case, where a Caterpillar company plant closing affects 450 workers, EAU is providing a grant to the community to fund a study to determine the best use of the property. When Marine World was forced to relocate, affecting 700 employees, EAU assisted in linking the employees with area retraining programs and is working on permits and financing for the new site. In another case, the Unit is helping an energy firm to obtain the necessary air quality permit and tax-exempt financing to purchase a lumber firm that was scheduled for closing, saving 300 jobs. EAU has also developed a business retention package which is being used by local communities, and the Unit is currently working on an inventory of vacant facilities in the state.

Other Linkage Mechanisms

A number of existing mechanisms and projects have been used to further improve coordination of economic development and employment and training programs in California. Some of the most significant involve working with local agencies and the business community.

JTPA funding is being used to support an Economic Development Technical Assistance Group for SDAs. The Group consists of staff from EAU and the Office of Local Development, with support from the Office of Business Development and the Marketing and Communications Unit. The year-long undertaking will involve: administering a series of regional workshops for SDAs and PICs on economic development; providing technical assistance on a request basis to SDAs and PICs on economic development with an emphasis on formulating strategies and projects which facilitate linkages; and, disseminating information on economic development programs.

DOC also conducted a survey of the economic development activities of SDAs. The survey found that, although SDAs were involved in funding local economic development, particularly in rural areas, most were not informed of state-level resources available for assisting economic development efforts.

The Employment Training Panel initiated an aggressive outreach program in cooperation with the Department of Commerce. Under a contractual arrangement with the Panel, Department of Commerce staff market the ETP program to DOC business clients. EAU staff have received some training on the ETP program and have developed an internal guide on ETP for use by other DOC staff. The guide includes a description of how to integrate ETP training programs into each of the ongoing economic and business development services of DOC.

EAU has also worked with private sector agencies in addressing the plant-closing problem. Among the materials the Unit has put together to assist communities facing the problem are two privately produced brochures: "An Employer Guide for Work Force Reductions," developed by the California Manufacturers Association, is a guide with recommended procedures for the firm to ease the impact of the cutback, and a brochure developed by the California Chamber of Commerce suggests voluntary guidelines for employers contemplating plant closings or layoffs.

MICHIGAN

Michigan is identified with manufacturing. The image is well-grounded in fact. In 1984, 25 percent of Michigan's workers were employed in manufacturing —well above the national average — and more than half of these worked in auto companies or for firms supplying the auto industry. Through its direct and multiplier effects, manufacturing has been the mainstay of Michigan's economy, the foundation of its prosperity.

For that reason, slow growth in manufacturing nationally and even slower growth in Michigan's manufacturing has been a critical concern of the state's public and private leaders. If Michigan's manufacturing sector had kept pace with national growth through the 1970s, the state would have added 134,000 manufacturing jobs. These jobs, plus the estimated 100,000 additional jobs that they would have generated, would have been enough to keep Michigan's unemployment rate at near the national average and would have maintained the state's overall prosperity.

In 1983, Governor James Blanchard created a Cabinet Council on Jobs and Economic Development which is responsible for increasing the coherence and effectiveness of the state's job-creation efforts. It is composed of the heads of ten state departments. Later in the same year, the Task Force for a Long-Term Recovery of Michigan was created. The Task Force, made up of members from government, business, and academia, was charged with the responsibility of producing an assessment of the development potential of the state's economy and determining the condition of the various elements needed to realize that potential.

In its report, the Task Force stated the choices facing Michigan very bluntly. In response to the question, "How can Michigan survive in a competitive environment that has changed radically since its industrial heyday?", the Task Force declared, "It can 'get poor,' it can 'get out,' or it can 'get smart.' " Getting poor is not desirable. Getting out is not feasible. So, Michigan has decided to get smart.

According to the Task Force, that means "shifting from making familiar products that can be replicated easily in low-wage states and nations, to making new products and existing products with more complex, flexible processes that are protected from such competition by their dependence on human skills. Only in this way can Michigan's economy get competitive without "getting poor." The prospects for making this transition are promising in the view of the Task Force: "A world leader in durable goods manufacturing for more than half a century, Michigan possesses the agglomeration of physical and human resources it needs to compete successfully and to regain its place at the world manufacturing frontier — this time as a center of complex, flexible-process manufacturing founded on skilled labor and advanced technology."

Jobs — both as input and output — are central to the state's strategy for achieving a transition in its manufacturing sector. Highly skilled workers must accompany high-tech equipment and processes, and enough jobs must be created to satisfy the needs of Michigan's population. Job retention, job creation, and job attraction are all recognized as important in a strategy aimed at "ensuring the survival of our existing industries, assisting in the birth of new firms, establishing a competitive business environment, and developing social policies to protect both individuals and communities threatened by Michigan's economic transition."

Several of the Task Force's Recommended Policy Directions speak directly to the human capital element of a development strategy for Michigan. Most centrally, the Task Force recommended, ". . .in partnership with the private sector, the state must develop a coordinated human investment strategy that offers those with no skills or obsolete skills the chance to acquire the new skills needed to compete for jobs in Michigan's emerging economy."

In November of 1983, the governor launched three Target Industry Development Programs for the automobile, agriculture and food processing, and forestry industries. The latter two are seen as strong opportunities for job growth. Michigan has taken a number of steps to carry out its strategy, many of which involve technology development, transfer, and commercialization and are linked with training. For example, the Industrial Technology Institute, established with an initial budget of $68 million, will carry out basic and applied research in all facets of manufacturing. It will also be involved with the training of engineering staffs of manufacturing firms and is likely to develop training for the skilled trades as well. The Research Excellence Fund will provide support for facility improvements and equipment acquisition directly related to modernization in manufacturing firms. Within the state's Department of Commerce, Innovative Services will provide entrepreneurial services to nurture new enterprises, and the Technology Deployment Service will also facilitate development of flexible automation for small- and medium-sized companies through a system of field agents and technical experts. The Technology Deployment Service also sponsors pilot programs to assist firms in making modernization investment decisions and is able to make grants to finance training and retraining for workers in connection with manufacturing modernization.

At the project level, both Title II and Title III of JTPA are being integrated into the overall manufacturing transition effort. Some of the effort is focused directly on automobile assembly. One-and-a-half million dollars in training funds were provided to retrain workers for the Sterling Heights Chrysler plant — one of the most modern in the industry. Pontiac's G car plant recalled 2,700 workers who underwent retraining with $2.3 million in Title III funds. In its package prepared for the Mazda Flat Rock plant, the state committed $19 million for a variety of training purposes that included sending workers to Japan and bringing Japanese trainers to the U.S. The state also committed $12 million to training for the workers who will produce the successor to GM's G car, including $9 million in state funds and $3 million in JTPA Title III funds.

Michigan's strategy takes into account the chain of production, not just the final assembly stage. On the one end, Jackson Community College received $500,000 in JTPA Title III funds to develop a training course on statistical process controls in order to improve the quality of the products turned out by firms supplying the auto industry. Title III money is available to support the delivery of this training in connection with specific firms. At the other end of the supplier-production-distribution chain, Title III funds were used to train dislocated workers to be managers of auto supply stores.

In Michigan, the links between employment and training and economic development are focused, in large part, on the development objective of modernizing manufacturing. (Other development and employment and training activities underway in Michigan are not discussed here.) These strategic relationships provide an example of how to integrate human capital with other factors to achieve economic transition.

GETTING STARTED

Obstacles as overt and serious as conflict between departments or as ordinary as inertia or lack of knowledge about alternative approaches can prevent successful coordination. Getting started in the right direction is the essential first step. The National Alliance of Business and the National Association of State Development Agencies worked with two states that wanted to strengthen their coordination activities: Oregon and Kansas. In both cases a strong interest existed in developing better arrangements for linking economic development and human development programs, and changing perceptions (and changed personnel) greatly increased the prospects for success.

In Oregon, NAB and NASDA provided information on what other states had done, conducted a reconnaissance to develop a picture of agency activities and identify coordination possibilities, and facilitated a retreat of state officials to decide upon an agenda of cooperative actions. This led to agreement on a number of steps to improve coordination. In Kansas, NAB and NASDA organized a presentation for state officials describing how other states had linked employment and development and then assisted the state in the development of a human capital broker. These cases are especially useful as examples of how to get things underway.

OREGON

Background

Following a period when economic development had a low priority, the state of Oregon has been expanding and diversifying its development activities in recent years. The Department of Economic Development, a cabinet-level agency, carries out a variety of development functions, including business recruitment, business financing, tourism promotion, port development, export development, and reverse investment. The Oregon Economic Development Commission issues industrial development revenue bonds for the state. A lottery enacted by the Oregon legislature in 1985 will add $15-18 million to the resources administered by the department and the commission during the first two years of its operation. Much public attention has focused on the department's business attraction efforts, both national and international. The state's location and historic orientation have led it to concentrate on the Far East. The department's 1984 annual report declared that year's primary objectives to be:

> continued improvement of the state's business climate; development of consensus, organization, and coordination among the many economic development organizations and interests throughout the state; development of awareness and a positive image of Oregon in major U. S. and international markets; and program production of bottom-line results as measured in job creation, dollars invested in new or expanded facilities, export sales dollars, and tourism visitor counts.

Since 1983, the Department of Economic Development has operated the Oregon Business Development Fund and the Umbrella Revenue Bond program. The OBDF is a statewide revolving loan fund which provides below-market financing to help businesses expand and create jobs. Originally capitalized at $2.7 million, OBDF's lendable funds were increased to $4.7 million in 1985, with a portion of that increase coming from lottery funds. The department also operates the Umbrella Revenue Bond program which pools smaller industrial revenue bond projects in order to reduce the cost of financing for smaller companies.

Legislative action in 1985 created the Conversion and Stabilization Fund and the Oregon Resource Development and Technology Corporation, which is a free-standing, non-profit corporation. The Conversion and Stabilization Fund, which received a $2 million appropriation of lottery proceeds, will provide suppport for feasibility studies and financing needed to reopen closed mills and other industrial facilities. The Resource Development and Technology Corporation, which will receive $10 million in lottery proceeds, will provide businesses with seed capital and venture financing for the development and application of new technology. Oregon will also get a new enterprise zone program underway in 1986, and lottery proceeds will provide $5 million for site-specific infrastructure improvements.

In Oregon, many active local economic development organizations exist, both public and private, causing economic development to be more effectively decentralized than in some states. The Department of Economic Development has six regional offices that serve local governments throughout the state.

The Intergovernmental Relations Division of the Executive Department, another cabinet-level department, houses units administering both the Job Training Partnership Act and the Small Cities Community Development Block Grant programs; it will administer an $18 million infrastructure grant program for local governments funded from lottery proceeds. Oregon has seven service delivery areas, including one, The Oregon Consortium, that covers 27 counties and a large geographical area. In its first annual report to the governor, the JTPA program highlighted the importance of economic development, stating:

> Economic development is critical to expanding the economic base of the State and insuring good job opportunities for residents. The Job Training Partnership Act provides the resources for a key component of economic development: the training and re-training of workers to meet employers' requirements.

Oregon's JTPA system is decentralized, and most direct involvement with economic development has occurred at the local level. Economic development representatives serve on all eight private industry councils. PIC involvement with economic development includes activities such as close coordination with local industrial revenue bond issuers and the funding of economic development specialists, as well as participation in the packaging of assistance for specific businesses.

Oregon does not have a state-funded industrial training program. It does have a large apprenticeship program, a voc ed system which has declared the importance of supporting state economic development objectives, and a community college system in which some colleges have taken on significant economic development activities. These activities include the managing of small business assistance centers and dislocated worker programs. The employment service, lodged in the Human Resources Department, does the certification for the targeted jobs tax credit, provides labor market information, and carries out testing, recruitment, selection, and referral activities.

In the past, state-level coordination to provide information on job training programs to businesses has occurred principally in connection with the packaging of major deals. The Saturn package is a recent example. The employment and training agencies believed that more extensive and better planned involvement in economic development would contribute to the accomplishment of their principal objectives and would strengthen the state's economic development effort. Early in 1985 they began to develop some ground rules among themselves for collaborating on economic development. The Economic Development Department, headed by a new director, was also interested in the possibilities of further collaboration with employment and training.

At this point, Oregon asked NAB and NASDA to assist. The request noted the need to:

- "Determine goals and objectives of coordination."
- "Identify the current strengths and needed improvements."
- "Develop an approach or plan of action to reach objectives."
- "Carry out the plan and study the results."

Reconnaissance

On-site interviews with state officials and a review of past activities revealed that there had been significant and successful instances of coordination between economic development and employment and training programs in Oregon. Human development officials pointed to the state's Saturn package as an example of how they could be involved productively in putting together a major business assistance proposal. Among the human development agencies a general feeling existed that their resources were not being put to their fullest and best use in support of economic development for the state.

Staff members in the Economic Development Department and various employment and training agencies expressed a strong interest in possibilities for combining available resources in ways that would contribute to maintaining and expanding job-creating investment in the state. They perceived, in general terms, opportunities for combining economic development and employment and training resources but were interested in knowing more specifically how this could be done productively.

The reconnaissance suggested a number of ways to improve knowledge across program lines, maximize the value of contacts made with businesses by various agencies, and get greater job-creation results from the combined use of economic development and employment and training resources. Any significant program initiatives should be considered only after these steps were taken.

Based on the general conclusions about past and present coordination, the agencies agreed to consider a number of possible actions to strengthen their working relationships:

- Designate a principal contact person for economic development/employment and training in each agency and establish regular meetings (at least monthly) of contact persons.
- Conduct quarterly meetings of economic development and employment and training decision makers.

- Review marketing publications and revise or develop new publications, as necessary, to take full advantage of employment and training resources.
- Develop procedures for sharing business contact information, when appropriate, among economic development and employment and training agencies.
- Establish a process for involving appropriate employment and training agencies in the development and implementation of significant development projects.
- Consider other actions such as cross-training for staffs, creation of a liaison position, or cross-placement of staff.
- Identify joint program possibilities.
- Inventory the resources and services of the Employment Division to guarantee that they are being used fully and effectively.

Several other matters were identified as needing further investigation: The participating agencies decided to review cases in which economic development and employment and training resources had been coordinated successfully in order to determine whether elements of those successes could be incorporated into an approach which was likely to assure success in future efforts. They also decided to review business contact programs currently carried out by state economic development and employment and training agencies to identify overlaps or gaps that might be reduced. Finally, they decided to prepare an inventory of existing state-level employer committees.

Coordination Retreat

Based on the findings of the reconnaissance, Oregon's employment and development officials concluded that the best way to get quick action would be to hold a retreat for agency decision makers, program managers, and staff whose responsibilities require that they know how to make use of the possible combinations of economic development and employment and training resources. The retreat's purposes were:

- To improve the general understanding of the programs, resources, and activities of economic development and employment and training and the ways in which they can be linked productively
- To identify opportunities for increased job creation for Oregonians through more effective combinations of economic development and employment and training resources
- To establish basic mechanisms and procedures for coordination

The Department of Economic Development and the Job Training Partnership Administration worked together to plan and conduct the retreat.

At the retreat, briefings were presented by senior officials of the following state agencies: Department of Education – Vocational Education and Community Colleges; Employment Division; Intergovernmental Relations Division – Job Training Partnership Administration and Oregon Community Development; Bureau of Labor and Industries – Apprenticeship and Training Division; and, the Economic Development Department.

Each briefing provided an overview of the agency, its programs and resources, and the activities relevant to economic development. General discussion followed each briefing. For most of those from the human development agencies, this was the first systematic description they had received of the state's economic development aims and activities. As intended, the briefings prompted vigorous exchanges about the roles and responsibilities of the various agencies and the possibilities for coordination.

At the end of the briefings and discussion, the participants identified a number of items upon which to base their consideration of actions to be taken. Among the most important:

- Coordination should build on past successes.
- Tailoring packages, including job training and education, to meet the needs of individual businesses is important, and organizing to make that possible is essential.
- Adequate recognition should be accorded to local institutions.
- A state development policy should be established to provide a framework within which economic development and employment and training resources can be linked.
- Arrangements should be developed to increase working contact between the staffs of the various agencies.
- An information package for business should be developed that includes employment and training program information.
- Direct contact programs with businesses should be organized to avoid redundancy and get maximum coverage.

These items were combined with the list of potential actions developed prior to the retreat and formed the basis for the discussions about future actions.

Out of the retreat's discussion, the following actions were agreed upon:

1. Representatives of the employment and training agencies and the economic development department will meet three times yearly. At these meetings, the economic development department will brief the others on significant development efforts, especially those involving employment and training elements, and deal with other matters of common concern. The objective is to strengthen the capacity of the employment and training agencies to contribute effectively to economic development. The briefings will make it possible to assess performance and make adjustments for future cases. The first meeting was planned to assess the Saturn experience.
2. The participating agencies will be involved in the Governor's Economic Action Council as appropriate.
3. Economic development staff persons will attend meetings of the State Job Training Coordinating Council, and staff persons from the employment and training agencies will attend meetings of the Economic Development Commission. (Cross-attendence by Council and Commission members will be encouraged.)

4. Cross-training of staffs will be carried out. Other means of coordinating, such as cross-placement, will be considered after experience is gained.

5. A joint marketing group will be formed. Staff from the employment and training agencies will submit to the Department of Economic Development one-page drafts of program descriptions. They will be coordinated in style and format, and included in a package of materials suitable for distribution to businesses. Economic Development staff will coordinate production of the package. Any marketing materials developed by the various agencies will be distributed to the members of the marketing group, as will any employer surveys.

6. The employment and training agencies will establish a routine for reporting business contacts to the business recruitment division of the Economic Development Department.

7. Periodic program briefings will be held. These briefings will improve the ability of the employment and training agencies to adjust their programs as appropriate in light of economic development objectives and activities.

Immediate follow-up by Oregon was very strong. Within weeks of the retreat, marketing publications were being reviewed and coordinated. Arrangements were made for presentations to business prospects. A "trial run" was successfully carried out with a major company considering locating in Oregon. It involved key job training officials, and all sides recognized that the involvement was a plus in terms of "selling" Oregon. The Saturn briefing was held and proved useful for planning similar efforts in the future. Arrangements were also made for cross-attendence at meetings of policy bodies.

In sum, the seemingly modest set of actions agreed upon by the economic development and human development agencies have begun to build a firmer base for effective collaboration.

KANSAS

Background

Prior to 1985, the Kansas Department of Economic Development and the Kansas Department of Human Resources had little experience with coordination. Despite occasional attempts to use federal training resources to meet the skill needs of DED clients, Kansas officials and staff encountered a number of barriers to coordination. DED, a small, state-funded agency operates with considerable flexibility and is not heavily constrained by regulations. This "freewheeling" atmosphere contrasts with the perception that DHR, a much larger and federally funded agency, is cumbersome and bound by rules and regulations. These differences blocked collaboration. Changes in personnel and perspective, however, encouraged economic development and employment and training officials to explore ways to improve the coordination of services.

The Kansas Department of Economic Development contains several operating divisions:

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- The Community Development Division, which administers the Small Cities CDBG program and the Mainstreet program that assists with downtown revitalization and helps local communities to plan and implement development programs
- The Travel and Tourism Division
- The Development Division, which is responsible for domestic and international business recruitment, trade promotion, local services, and the Kansas Industrial Training program
- The Small Business Division, which was established by legislation in 1985 and which is responsible for administering the state's economic development set-aside portion of the Small Cities CDBG program ($5 million in FY86)

The department employs a number of other business incentives including: locally issued industrial development bonds, a job expansion and investment tax credit, and an enterprise zone program which provides special incentives for businesses locating in the designated zones.

The Kansas Industrial Training Program offers customized training for new and expanding industries. Services include development of a master training plan geared to the company's specifications, pre-employment training, and on-the-job training. KIT is flexible, although it cannot fund equipment or salaries and generally does not fund retraining. Typical training costs which can be covered include instructor salaries, travel, training manuals and textbooks, supplies and materials, and curriculum planning and development. The program is able to respond quickly and flexibly to industry needs and requires no match from the participating companies.

The KIT program is closely coordinated with the Vocational Education Administration of the Department of Education and pools vocational education and KIT funds for training projects. DED is the lead agency and receives all the proposals. In FY86, $350,000 from the DED appropriation will be used in conjunction with $300,000 in vocational education resources to fund the KIT program.

The Department of Human Resources, which receives more than 90 percent of its funding from the federal government, is responsible for providing compensatory and support services and opportunities for training that will benefit residents and employers in Kansas. To accomplish these goals, the department is organized into three major divisions:

- The Division of Employment Security, which administers the state's unemployment insurance and related federal programs
- The Division of Labor-Management Relations and Employment Standards, which acts as a mediator to resolve employee/employer disputes through formalized collective bargaining
- The Division of Employment and Training, the largest division of DHR, which includes both Job Service and the Job Training Partnership Act

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Despite the separate institutions and the differing conceptual bases, the leadership of both departments shared a strong awareness of the potential benefits of more closely coordinated activities. A commitment to linkage was evident on several fronts.

One example of ongoing coordinated efforts is the K-PACT program which provides an assistance network in cases of impending layoffs. If the layoff or plant closing cannot be prevented, K-PACT works to organize a wide range of services to minimize the negative impact on the workers and the community. Program services include: pre-layoff assistance, identification of local resources which can benefit the worker, assessment of transferable worker skills, financial counseling, employment counseling, retraining (classroom training, customized training, on-the-job training), and job search assistance.

Agencies participating in the K-PACT program include the Department of Human Resources, the Department of Education, the Department of Economic Development, and the Department of Social and Rehabilitation Services. Despite limitations in its ability to assist affected communities, K-PACT is an example of coordination that could lead to further linkage activities.

The Governor's Coordination and Special Services Plan for JTPA includes strong language for building economic development linkages at both the state and local levels. Because "insufficient total employment" is identified in the Plan as a major labor market problem in Kansas, JTPA/economic development coordination is viewed as crucial from two perspectives:

- "to support adequate job creation in order to provide marketable jobs with transferable skills for JTPA clients to meet current and future employment needs"
- "to utilize JTPA resources as part of local and state economic development strategies, by providing worker training and retraining to meet employer requirements for new jobs"

Demonstrating this commitment to economic development and linkage, the Dislocated Worker Subcommittee of the Kansas Council on Employment and Training set aside $100,000 in JTPA Title III funds for economic development projects. A desire to translate these positive elements and the general commitment into more effective action was the reason behind Kansas' request for assistance from NAB and NASDA. Two events in 1985 served to encourage further action. A new assistant secretary was appointed to DHR and made responsible for JTPA and Job Service. The assistant secretary came from the staff of the governor's office, had an understanding of the perspectives of both DED and DHR, and saw the need to improve coordination of programs. In addition, the assistant secretary of DED, long an advocate of leveraging other training resources, became aware of the "Making the Link" project and the possibility of obtaining outside assistance. Kansas officials needed a "starting point" and wanted assistance in beginning the dialogue within and between their respective departments. The commitment and enthusiasm of these two assistant secretaries was a critical factor in the initial coordination efforts.

Exploration of Options

To begin the process of developing an approach to linkage that would suit the particular needs of the Kansas economy, NAB and NASDA facilitated a joint

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meeting of officials from the Department of Economic Development, the Department of Human Resources, the governor's office, and the Dislocated Workers Subcommittee of the Kansas Council on Employment and Training. For many, this event was the first opportunity to learn about the activities of the other agencies. The major purpose of the meeting was to hear from the "outside facilitators" how other states and localities have captured the benefits of coordination. These examples provided an introduction to organizational and programmatic approaches to links. Following the joint meeting, officials and staff from both agencies shared their observations of both the barriers and the benefits to linkage in Kansas. Airing these concerns was an important step in identifying options.

Many persons noted the lack of knowledge about programs and activities outside their own departmental spheres. An information gap also appeared to exist between the DED staff and local JTPA players, especially PIC members and staff. Improving information availability and upgrading program knowledge at every level was deemed essential for creating the atmosphere of trust and confidence that must underlie cooperative efforts.

Although a number of obstacles and areas in need of improvement were identified, significant opportunities and existing cooperative efforts were also identified. Among the many options for improved coordination which were discussed by staff during the first site visit were:

- identifying examples of successful linkage already operating in the state, including both state- and local-level linkages
- coordinating marketing materials to ensure that business can receive information about JTPA from industrial development representatives and information about industrial development financing from JTPA officials
- examining such program initiatives as business incubators, procurement centers, good-faith hiring agreements, retraining or entrepreneurial training for dislocated farmers, linkage of employment and training goals with Certified Development Companies, and use of JTPA six-percent funds to encourage local linkage

After examining various options for improving training and development linkages, Kansas officials decided to explore further the idea of establishing a staff position similar to the "job training liaison" position in Nebraska. The liaison would be responsible for coordinating all of the state's training programs, particularly JTPA, with the development efforts of DED and the Department of Education. To help Kansas officials develop a similar position, a second site visit was made with the job training liaison from Nebraska who shared his experiences and identified issues that had to be addressed in establishing such a position. For example, the liaison's role would be essentially that of a packager and facilitator. Without having direct control over much of the funding and with the number of parties involved, the ability to persuade people and to negotiate would be critical. The capability to market services and publicize successful projects was also stressed.

Practical issues concerning the liaison position included: the chain of command by which the liaison would report; the resources which the liaison would have authority to commit; the departmental location of the liaison; the general qualifications a liaison should possess; turn-around time for project funding; potential reactions from local industrial developers, chambers of commerce, and business; the role of the State Job Training Coordinating Council and of certified development companies; and, relations with the legislature. In response to DED's strong concern about burdening businesses with red tape, DHR committed to handling all administration within the department and to not bringing any bureaucratic problems to the bargaining table, either with DED or with business.

DED and DHR, after their initial meeting, each designated an individual to act as a contact person for dealing with the other agency. Following the second meeting, they decided that they would create a job training liaison position to broker all available training resources for DED's business clients.

First Steps

An early test of the resolve to coordinate in Kansas came before the liaison position had been established. The state industrial training program could only provide minimal assistance in a major development project that needed much more. DED staff contacted DHR seeking to coordinate training utilizing JTPA funding — a small, but significant, initiative.

In addition to creating the job training liaison, Kansas officials intend to continue meetings between staff of the two agencies and to build a strong ongoing relationship. The current activities are seen by the officials as a beginning, the start of more creative linkages and extensive cooperative efforts between human resources and economic development.

PART THREE: MAKING THE LINK

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Part One outlined the economic and human resource development challenges facing state governments, their roles in these activities, the benefits of coordination between economic development and employment and training programs, and the barriers to achieving such coordination. Part Two presented case studies illustrating how nine states have linked development and employment programs in various ways. Part Three distills from the case studies lessons that are transferrable to other states that want to overcome the barriers and reap the benefits.

VARIETIES OF LINKAGE

"Linkage" and "coordination" are general terms that, as the case studies illustrate, cover a great variety of approaches and techniques. However, links between development and employment programs generally take the form of incorporation, consolidation, or coordination.

Incorporation involves an institution which has primary responsibility for one of the functions adding some aspect of the other function into its operations. For example, the customized training programs in Ohio and Kansas are lodged with the development department. They are viewed as additional tools for maintaining and expanding private sector investment. Illinois' community colleges carry out several specific economic development activities, including the managing of enterprise zones and federal contract assistance centers. Incorporating a direct job-creation function complements, rather than alters, their basic education and training mission.

Consolidation brings two separate functions into a formal relationship in a single organization. The functions may retain a separate identity, but the organizational gap is reduced. The Illinois' Department of Commerce and Community Affairs, for example, was created by the consolidation of three previously existing departments, and their functions were then integrated through various organizational and management measures.

The term "coordination" is used throughout this report to describe all types of linkage between employment and training and economic development. More strictly, coordination refers to situations in which functions remain the responsibility of separate agencies or programs but some mechanism is used to pull complementary activities together. In Nebraska, for example, the job training liaison position is a mechanism for coordinating the resources of separate institutions that maintain the basic responsibility for those resources.

Incorporation, consolidation, and coordination are likely to be blended and not sharply distinguished. Agencies incorporating a new tool into their programs will still find it useful to coordinate with other agencies; consolidation will involve internal, as well as external, coordination. The terminology itself may be a barrier. Continuing to refer to "economic development" and "employment and training" agencies and programs probably prevents policymakers and practitioners from simply thinking and acting to solve public problems which involve workers, businesses, jobs, and investment. Much of the difficulty of developing new relationships is that the institutions are frozen in forms no longer appropriate to current problems and objectives.

BASIC ELEMENTS OF COORDINATION

Where the objective is coordination across department and program lines, three basic issues — policy, organization, and programs — must be addressed. A clear and authoritative statement in favor of linkage must be made at the highest level. An organizational means of initiating and carrying out the policy must be created and sustained. And, programs must produce results. These elements are tied together by mechanisms for translating policy into action, measures that expand staff capacity and performance, and processes and procedures that make direct links among various programs and tools. All of these components offer points at which action can contribute to coordination.

Policy and Policy Implementation

A policy establishes goals and objectives, assigns responsibilities, and allocates resources. Policy initiates change, but the residue of old policies blocks change. Over time, policy becomes embedded in the routine operations of a program, and "the way things have always been done" becomes the rationale for not doing them differently. When agencies are to be given new missions, policy is essential — as explanation, as justification, and as command.

Policy is more than a speech. In Illinois, the governor's commitment to coordination caused him to create DCCA. Nebraska's governor followed through with the creation of the job training liaison position. The governor of Texas has put people into top positions who are both capable and committed to coordination. Policies without adequate mechanisms for implementing them are just words. The first potential gap is between the governor and his departments. No guarantee can be given that a policy will be carried out, even when it is the business of a single agency; when the policy encompasses several agencies, the odds are greatly reduced. To bridge the gaps, the governors of Illinois, Michigan, and Iowa have created cabinet councils or committees that have membership from both development and training agencies.

Organization and Staff Capacity

Organization is a tool to accomplish specified goals. Coordinating employment and training and economic development is a goal that can be accomplished in a variety of ways. A comparison of Illinois, Texas, and Nebraska reveals both similarities and differences in approaches. In all three states, the governors have established linkage as an important policy goal; top managers have acted to achieve the goal; and, similarities exist in the details of programs and procedures. However, the core mechanism for carrying out coordination is very different in each state. The Illinois model is built on the consolidation of development and employment functions in the Department of Commerce and Community Affairs. Texas has able and experienced individuals in key positions who are committed to coordination and through them has initiated programs and procedures throughout the state government. Nebraska's liaison position achieves coordination by inserting a broker function that responds case-by-case to coordination opportunities. Each style of organization achieves the desired goal because it fits the circumstances.

Policy and organization do not necessarily produce coordination. Boxes on organizational charts are filled with people who do the jobs. States use various approaches to increase the ability of professional staff persons to understand their counterparts better and to improve working relationships among employment and development personnel. These include cross-placement, staff training, and joint meetings. In Illinois and Texas, officials holding key positions in either development or employment programs have had significant experience in the other area. Both of these states and Iowa have also strengthened staff capacity through training. Illinois has also established performance standards for the staff of its marketing division that will reward performance in linking development and training incentives.

Process and Programs

In bureaucracies, good intentions do not produce results. Processes must be put in place that can be depended upon to strengthen the link in action. The Financial Commitment Committee in the Illinois DCCA creates a decision point where the issue of whether state subsidies are creating jobs for the economically disadvantaged is not only likely to be raised, but expected to be. The scoring system for applications for the Economic Development Project Fund in Texas guarantees that most projects will have a tie with JTPA. Oregon has instituted regular briefings by the economic development department for members of the staffs of the human development departments to report on major development projects.

At the end of the pipeline, the benefits of coordination are realized through programs. Well-oiled systems will not lead to more job-creating private investment unless they involve programs that respond to real business needs in an effective way. Many examples of such programs are to be found in the case-study states. Some involve an innovative combination of resources as is the case with the use of dislocated worker funding in Illinois' enterprise zones. Some tie a jobs element into an existing program, such as Texas' Small Cities CDBG scoring system, or put an existing program to an innovative use, as is the case with Nebraska's use of CDBG funds for training. The effectiveness in all of these cases is a function of both the coordination arrangements and the good economic development sense of the programs that are carried out. The starting point is recognizing resources which may already be available, but which are underused. Vocational education programs, for example, are frequently overlooked as a resource by economic development agencies, despite the fact that they can fill an important business need. A broadened perspective and some imagination can reveal many linkage possibilities.

CONDITIONING AND INTANGIBLE FACTORS

Simple transference of a program from one state to another is never possible. Basically similar goals and objectives are translated into different forms as a result of a number of conditioning factors. These include:

- Economic setting – A state experiencing severe economic difficulties will put job creation ahead of job placement as compared to a state where "natural" expansion is producing job growth. Program goals and activities must respond to the real conditions of the state's economic situation.

- Existing institutions — Coordination never starts from scratch, and the existing institutions always determine to a significant extent what can and cannot be done. Oregon's decentralized systems for both employment and training and economic development mean that local agencies have more independence and authority than in some other states and that coordination by the state must involve a strong emphasis on support for local efforts. The relative independence of certain state agencies in Texas dictates that the governor must achieve coordination in less formal and centralized ways than Illinois.
- Personnel — Individuals frequently are pivotal. The management skill of key officials is, of course, important; having people in place whose experience crosses the dividing line between employment and development programs is often important also. Coordination will have to be tailored to some degree to the experience and capacities of key personnel. In Illinois, Texas, and Nebraska, individuals with experience in employment and training have been placed in economic development positions and vice versa. This practice has contributed significantly to the success of coordination.
- Public/private ethos — In some states, the relationship between business and government is such that business is reluctant to get involved with public programs. This has implications for both program design and implementation. Where there is business resistance, involvement of business in policy and planning stages will build ownership in the program initatives and also increase the likelihood that programs will meet business needs.
- Resources — The capacity to link development and employment programs depends in part on the types, amounts, and distribution of available resources. If, for example, state general funds are not available for a major customized training initiative and such an initiative is desired, then alternatives must be sought, such as the tax increment financing of the Iowa Jobs Training Program.
- Track record — Developing coordination will be much easier in states where there are instances of successful collaboration in the past. In Oregon, for example, officials from different agencies pointed to the same cases to illustrate what could be done. These successes can identify elements to be incorporated into future efforts. In Nebraska, the experience with Sunstrand convinced officials that separate agencies could work cooperatively.

A close look at the states profiled in the case studies reveals some of the intangible factors contributing to the success of their activities. Leadership at the top is always necessary to initiate change, resolve conflict, or implement unorthodox approaches. Other factors are often present in seemingly contradictory pairings. Success is more likely to be achieved when these characteristics are in balance.

- Commitment and Flexibility — Those responsible for coordination must have the zeal needed to pursue objectives based on strong personal and professional convictions. At the same time, they must have the flexibility required to develop effective working relationships with those who may not share that zeal.
- Generalism and Expertise — Seeing the "big picture" in order to figure out how to combine human resource development and economic development in comprehensive strategies is essential. Having the specific technical expertise and management skill needed to create and carry out successful programs is equally essential.
- Initiative and Team Play — Those who want to redefine problems and solutions must be prepared to take risks by initiating untested programs. To do so they must have the confidence and drive of an entrepreneur. At the same time, they must be able to build teams across program and agency lines and be willing and able to play on those teams.

Balancing these characteristics enables states to avoid being caught in unnecessary "either/or" situations. When the issue of coordinating employment and training and economic development comes up, it is often couched in terms of extremes: Is the first priority to satisfy the needs of business or meet the needs of individuals? Should businesses be required to hire particular persons, usually the disadvantaged, if they accept some form of development assistance? These are real issues and should not be ignored, but they need not be resolved in an either/or fashion. Resolution lies in dealing effectively with another apparent either/or: either economic development (creating jobs) or employment and training (filling jobs).

The states that have succeeded with major coordination efforts have developed a service orientation toward business which does not involve sacrificing commitment to serving the economically disadvantaged and other unemployed. Ideally, and sometimes in practice, a community's ability to provide skilled workers can be said to create the jobs that they then fill. The provision of skilled labor is an incentive that can be decisive in an investment decision. In being responsive to business needs, development and training agencies need not ask favors of a company. The philosophy in states such as Texas, Illinois, and Nebraska is that good programs deliver something of value to a business, and business leaders in those states agree. Because these programs provide worthwhile services to businesses, they are better able to meet the needs of individuals as well.

ACHIEVING DEVELOPMENT OBJECTIVES

Although the basic elements underlying coordination are similar from state to state, the specific development objectives vary, depending on the state's development strategy. Coordination is seen in its results, and determining whether or not it is worth the effort depends on judging the value of the results. The case study states demonstrate development and employment links with a number of economic development objectives:

- Economic adjustment – The California Economic Adjustment Team and the Rapid Response Team in Texas provide assistance targeted to plant closings and major layoffs, linking development, employment, and other services. Illinois targets dislocated worker training funds to enterprise zones, which has helped in the retention and expansion of manufacturing firms. In order to revitalize its automobile industry, Michigan is carrying out a broad strategy which incorporates training needed to keep workers current with modern manufacturing equipment and processes.
- Small business development – Centers which assist small- and medium-sized businesses in successfully competing for federal government contracts are supported by JTPA funds in Texas and Illinois with arrangements that tie the jobs created to JTPA-eligible persons. Community colleges manage centers that provide general assistance to small businesses in Illinois and Oregon.
- High-tech development – As part of Iowa's economic diversification strategy, the community college system trains its staff and business representatives on changes in the workplace imposed by new technology. The course that Iowa uses was developed by Michigan's Jackson Community College as part of that state's target industry strategy.
- Business retention and expansion – The customized training programs in several of the states profiled respond to the work force needs of businesses that might otherwise shut down or not expand. This emphasis has grown in recent years to complement the traditionally exclusive focus on business attraction.
- Business start-ups – In both Oregon and Texas, JTPA funds are used to assist unemployed persons who wish to start their own businesses. In Illinois, training funds are being used in connection with incubator facilities to encourage the creation of new businesses.

In some of these cases, employment and training funds are used to finance an economic development activity. In exchange, the jobs that are created are made available to the clients of the program providing the funds, usually JTPA. In these cases, business receives the benefit of the provision of workers. In other cases, the employment and training services are themselves a leading element of a package of business assistance. In both cases, employment and training must be marketed and packaged effectively.

Marketing and Packaging

Two closely related activities offer especially productive opportunities for coordination: marketing and packaging. States should integrate information about employment and training services into their information packages for businesses, and they should coordinate programs for making direct contact with businesses. Businesses find it aggravating and costly to be contacted by numerous government officials, each of whom is interested in only part of the operations of a business and offers only one type of assistance. Nor should businesses be expected to be willing or able to master the details of development or employment programs. When incentive packages are developed for particular businesses, the development and employment and training elements should be blended from the outset. Treating employment and training resources as secondary or an afterthought will serve neither the needs of the business nor the state's unemployed.

Coordinated marketing and packaging, done in different fashions by all of the states profiled above, make it possible to fit employment and training services into a single assessment of a business' needs and make it possible to blend different resources to meet those needs in ways that otherwise would be impossible. The Marketing Division of Illinois' DCCA and Nebraska's job training liaison typify successful approaches for overcoming fragmentation in contacts with business and for successfully using employment and training services as elements of incentive packages. In Texas, the method of financing Small Business Revitalization staff from JTPA resources assures that training services will be marketed to businesses by those responsible for packaging loans.

A relatively easy starting point is developing marketing materials which give the same treatment to employment and training that is given to other investment factors such as financial incentives, taxes, industrial sites, and quality of life. Oregon decided to take this step to strengthen its marketing materials.

Support for Localities

One of the most important functions of coordination at the state level is supporting coordination at the local level. In all states, much, if not most, economic development and employment and training activity is actually carried out by local institutions. As a consequence, good working relationships between the state and local levels are essential. Given historic conflicts between the state and local governments in many states, achieving these relationships is not always an easy task. The states investigated for this report, however, offer numerous examples of state/local linkage. These range along a continuum from allowing to requiring and include encouragement, collaboration, and support.

States, by virtue of their constitutional and statutory authority, are often in a position to aid local agencies simply by allowing them to undertake certain actions. For example, the state's decision about how to treat employment-generating activities under JTPA will determine how much leeway local SDA agencies will have in their involvement with economic development. At the other end of the spectrum, states may require certain actions. Illinois, for example, requires businesses which receive aid from the JTPA-funded procurement assistance centers to make available to JTPA-eligible persons any job created as the result of getting federal contracts. States can encourage local coordination through information and training as is done in California, Texas, and Iowa. Also, state funding may be mixed with local funding or made available for local projects which are determined according to local priorities. This was the case in response to the layoffs in the Beaumont/Port Arthur area of Texas.

Innovation – The CDBG Example.

There is certainly no lack of innovation in the case study states. Some of these innovations relate to organization and process, such as the Financial

Commitment Committee in Illinois and Nebraska's job training liaison. Others involve major policy shifts or unique financing arrangements, as is the case with the deflection of unemployment insurance funds for training through California's Employment and Training Panel and the tax-increment financing for the Iowa Jobs Training Program. Management and supervisory innovations are seen in cross-staffing, cross-training, and performance standards. Program innovations abound. Many of those described earlier involve JTPA. In addition, various innovations can also be found in the state-administered Small Cities Community Development Block Grant program.

When state governments were given the authority to manage the HUD Small Cities Community Development Block Grant program, conflicting expectations were expressed. Some thought that states were in a much better position to tailor the program to the needs of their communities and to manage it in a way that was sensitive to economic and institutional realities. Others thought that business as usual, or worse, would be the order of the day. The states investigated for this report support the optimistic view. States such as Texas, Illinois, Iowa, and Nebraska have viewed their management of CDBG as an opportunity to use it in support of priority objectives and have linked it in productive ways with other programs. Illinois, Nebraska, and Texas have set aside portions of the funds for economic development and have incorporated into the competition for these funds requirements for local linkages that generate jobs for low- and moderate-income persons. Nebraska has made training an allowable expenditure. A number of other states have taken the same active and creative attitude towards integrating the Small Cities CDBG into development and employment strategies in ways that were not possible before.

CONCLUSION

Because repeated calls for coordination between economic development and training programs have been made over the years and because these callers apparently have not been widely heeded, some have grown pessimistic or cynical about the prospects for success. The findings of this report do not support this view. The states whose activities are described in this report — admittedly among the most active and innovative — show both commitment to the ideal of coordination and competence in turning that commitment into tangible results. In these states, human capital is being integrated into economic development strategies in ways that produce aggregate economic benefits for the state and local economies and jobs for those who need them.

None of these states would claim total or permanent success or expect that this is possible. All can legitimately claim to have achieved significant results with lasting benefits. In every case, the actions taken have been tailored to the state's particular situation. At the same time, all of these examples have elements that can be transferred to other settings. The efforts of the innovative and entrepreneurial state officials described in this report demonstrate that "Making the Link" is possible, and their achievements can both encourage and guide initiatives in other states.

APPENDICES

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MAKING THE LINK

REGIONAL COUNCILS

Coordinating
Economic Development
and
Employment and Training

This is one of three complementary reports prepared as part of a technical assistance project funded by the Economic Development Administration. The purpose of the project was to identify successful approaches to coordinating economic development and employment and training programs and to assist other development and training agencies that wanted to initiate coordination efforts. This report on coordination by regional councils was prepared by the National Association of Regional Councils. A report on state government coordination was prepared jointly by the National Alliance of Business and the National Association of State Development Agencies, and a report on coordination by local economic development agencies was prepared by the National Council for Urban Economic Development. The overall project was managed by the National Alliance of Business. The project and these reports reflect the importance of collaboration among the various levels of government for successful coordination between economic development and employment and training programs.

Activities of the National Alliance of Business are financed with both public and private resources. This report was prepared pursuant to the receipt of financial assistance from the National Technical Assistance Program, Economic Development Administration, Department of Commerce. The statements, findings, conclusions, recommendations, and other data in the report are solely those of the National Alliance of Business, the recipient, and do not necessarily reflect the views of the Economic Development Administration.

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MAKING THE LINK

Coordinating Economic Development
and Employment and Training

REGIONAL COUNCILS

prepared by

National Association for Regional Councils

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FOREWORD

Getting the most out of productive working relationships between economic development and employment and training programs requires both functional and jurisdictional coordination. Regional councils are important vehicles for overcoming the gaps between programs and the fragmentation among local governments. Being able to develop policies and programs for all or a large part of a labor market area greatly increases the possibilities for dealing effectively with problems in the local economy. All too frequently, government boundaries create barriers between people and jobs. Cooperation that crosses those boundaries can increase the payoff for an area in terms of job-creating private investment. Regional councils foster that kind of cooperation.

More and more regional councils are making the link between economic development and employment and training, and the experience of those that have been most successful can make the job easier for others. We are pleased to be able to pass on such experience through the case studies in this report.

This report was researched, compiled, and written by Janice Villet, NARC special projects coordinator.

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National Alliance of Business

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Executive Director
National Association of
Regional Councils

INTRODUCTION

There are approximately 530 regional councils in the United States. They operate in every state except Alaska, Hawaii, New Jersey, and Rhode Island. Created by state and local laws and agreements, these councils provide a public, multi-jurisdictional means through which local governments and their citizens can deal with issues and needs that cross city, town, county, and, in some instances, state boundaries. Regional councils implement programs and activities for all levels of government and promote intergovernmental cooperation to achieve a regional approach and advance the interests of their participating local governments. They are funded wholly or in part by member local governments. Their governing bodies are composed primarily of elected and appointed representatives of local communities and state governments.

Where economic, social, and geographic links exist in a region or substate district, a regional council gives neighboring communities the capacity to provide comprehensive, areawide policy development and planning, to coordinate regional functional planning and operational agencies, and to arrange for implementation of regional policies. This capacity puts the regional council in a unique position for linking economic development with employment and training. As a single unit, it is likely to suffer less from the divisions of responsibility and diversity of perspectives which plague coordination efforts at the state and local levels. The increasing importance of the availability of skilled labor in business investment and location decisions is very visible at the regional level, compelling area councils to make the best use of all resources at their disposal. Human development is becoming as imperative as economic development.

Economic development has been and continues to be a top priority of the decision makers that govern regional council boards. As a result, regional councils have a long history of assisting their communities in promoting regional economic development. They set areawide economic development objectives and work to implement them. The enactment of the Job Training Partnership Act, which encourages the formation of local service delivery areas corresponding to labor market areas, gave regional councils an excellent tool for linking economic development with employment and training. JTPA's emphasis on regional solutions to unemployment problems is underscored by the proportion of service delivery areas which are coterminous with substate regional boundaries; approximately 60 percent of the 600 SDAs nationwide have boundaries that coincide with the boundaries of one or more substate districts.

Under JTPA, regional councils have taken on new responsibilities. They serve as JTPA administrative units, provide planning, deliver services, and assist private industry councils in policy development and implementation; their representatives sit on state JTPA coordinating councils. With JTPA management responsibility lodged at the state level, regional councils are better able to link JTPA activities with other economic development and employment and training programs. They can reduce programmatic barriers to make it possible for both employment and economic development programs to benefit from coordination and the reduction of jurisdictional fragmentation.

Another positive linkage factor is the interaction that JTPA provides between elected officials and business leaders. This has opened a new path for regional councils to serve as brokers in meeting the needs of their communities. They can also play a catalytic role in promoting public/private partnerships and developing more effective means for working with business.

The case studies which follow illustrate the approaches taken by two councils in playing that catalytic role. In addition, the Texas case study contained in the companion report on state governments describes how two other councils – the Houston-Galveston Area Council and the South East Texas Regional Planning Commission (Beaumont/Port Arthur area) – have worked with the State of Texas to link economic development and training activities.

SOUTHWESTERN VIRGINIA

The Cumberland Plateau Planning District Commission in Lebanon, Virginia, is the JTPA administrative entity for a rural service delivery area (SDA-One) comprising seven counties and one city in southwestern Virginia. For this regional council, JTPA is a catalyst that promotes public/private cooperation that can spur economic growth in a community. Andrew Chafin, JTPA administrator, observes, "Getting involved in JTPA gave us the opportunity to diversify and expand our economy. When we first became involved in the program, unemployment rates were over 30 percent. Now, with the help of the JTPA program, they are at approximately 15 percent." Cumberland Plateau has used JTPA to bring business and government leaders together and to create jobs. This case study looks at what they did and how they did it.

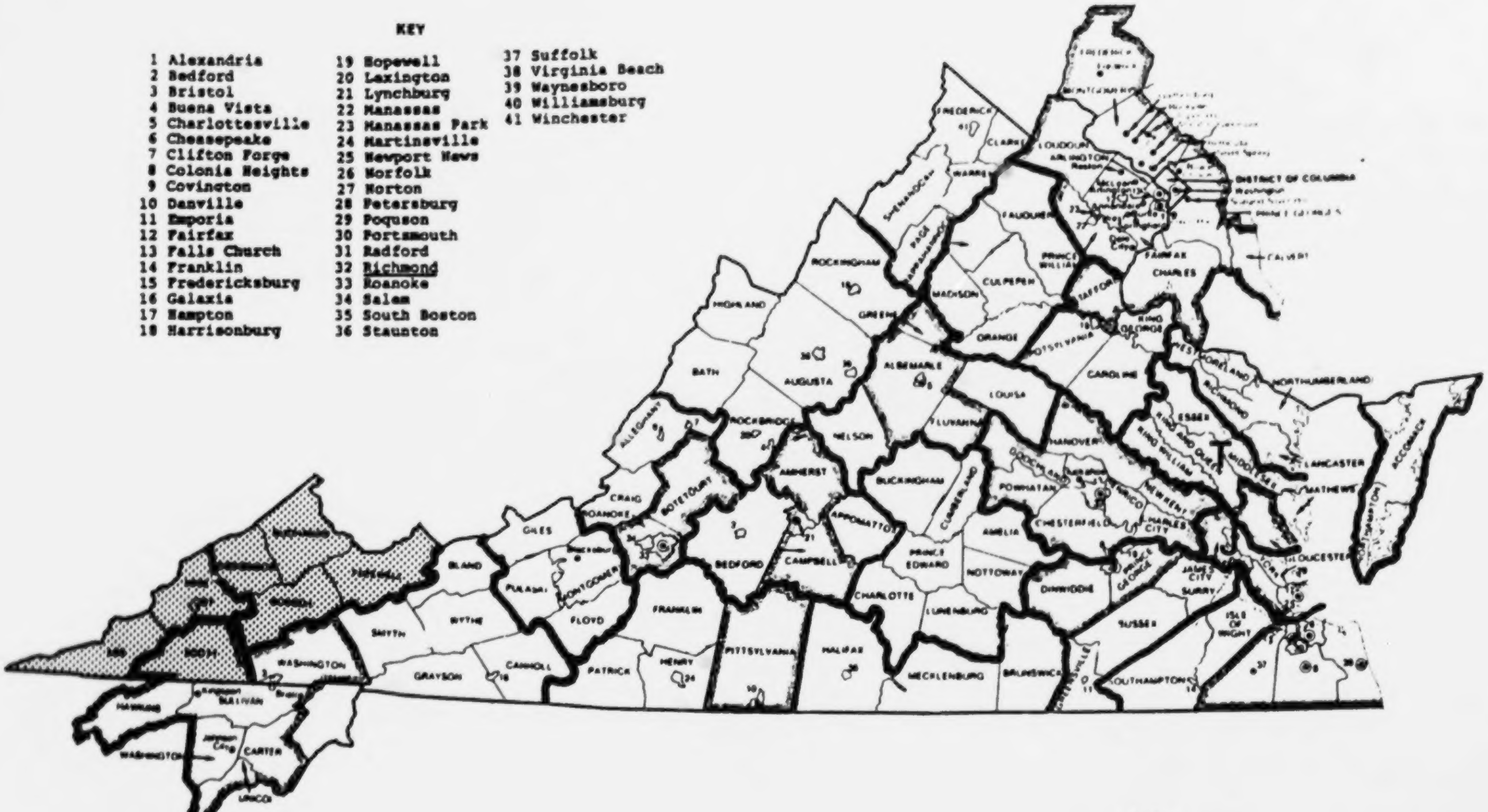
SDA-One's population is 239,711, and it encompasses two regional council jurisdictions. While Cumberland Plateau Planning District Commission is the JTPA administrative entity, both regional councils work together to promote and implement the goals and activities of the JTPA program. The Cumberland Plateau Planning District Commission boundaries include Russell, Dickenson, Buchanan and Tazewell counties; LENOWISCO Planning District Commission boundaries include Wise, Scott, and Lee counties and Norton City. Cumberland Plateau and LENOWISCO have worked together for many years to foster and promote development in southwestern Virginia.

In 1983, the service delivery area was faced with unemployment rates of up to 36 percent. The local economy was based almost entirely on the coal mining industry, with farming as the second largest industry. The average educational level of the population is the eleventh grade. Drawing a connection between high unemployment and lack of diversity in the economic base, the Cumberland Plateau Planning District Commission designed a programmatic link between economic development and job training into its administration of JTPA.

Bringing Together Community Resources

The Cumberland Plateau Planning District Commission was selected as the administrative entity for JTPA because of its strong ties with local government, area business, and educational institutions. For many years, Cumberland Plateau assisted local governments in setting economic development goals for their communities. Through these efforts, the regional council developed strong working relationships with business leaders and educators. Another factor in the selection of Cumberland Plateau as the JTPA administrative entity was its experience in effectively administering other federal development grant programs, such as the Community Development Block Grant program.

Established in 1968, the Cumberland Plateau Planning District Commission works with its citizens and community leaders to provide technical assistance and direct services in a wide range of activities, including economic development. According to a survey conducted by the National Association of Regional Councils in 1982-83, Cumberland Plateau has been involved in such economic development activities as loan packaging, tourism promotion, industrial development, commercial revitalization, market studies, and economic forecasting.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ARLINGTON
WARREN
SHENANDOAH
PAGE
RAPPAHANNOCK
FAUQUIER
PRINCE WILLIAM
FAIRFAX
DISTRICT OF COLUMBIA
Washington
PRINCE GEORGE'S
CHARLES
CALVERT
ROCKINGHAM
HIGHLAND
MADISON
CULPEPER
STAFFORD
GREENE
ORANGE
SPOTSYLVANIA
KING GEORGE
BATH
AUGUSTA
ALBEMARLE
LOUISA
CAROLINE
WESTMORELAND
NORTHUMBERLAND
RICHMOND
ESSEX
ALLEGHANY
ROCKBRIDGE
NELSON
FLUVANNA
HANOVER
KING AND QUEEN
KING WILLIAM
MIDDLESEX
LANCASTER
ACCOMACK
NORTHAMPTON
MATHEWS
GLOUCESTER
CRAIG
BOTETOURT
AMHERST
BUCKINGHAM
CUMBERLAND
GOOCHLAND
POWHATAN
HENRICO
NEW KENT
CHARLES CITY
CHESTERFIELD
AMELIA
GILES
ROANOKE
BLAND
PULASKI
MONTGOMERY
Blacksburg
BEDFORD
CAMPBELL
APPOMATTOX
PRINCE EDWARD
NOTTOWAY
DINWIDDIE
PRINCE GEORGE
JAMES CITY
SURRY
YORK
TAZEWELL
SMYTH
WYTHE
FLOYD
FRANKLIN
CHARLOTTE
LUNENBURG
SUSSEX
ISLE OF WIGHT
WASHINGTON
GRAYSON
CARROLL
PATRICK
HENRY
PITTSYLVANIA
HALIFAX
MECKLENBURG
BRUNSWICK
GREENSVILLE
SOUTHAMPTON
LEE
SCOTT
HAWKINS
Kingsport
SULLIVAN
Bristol
WASHINGTON
Johnson City
CARTER
UNICOI

KEY

1	Alexandria
2	Bedford
3	Bristol
4	Buena Vista
5	Charlottesville
6	Chesapeake
7	Clifton Forge
8	Colonia Heights
9	Covington
10	Danville
11	Emporia
12	Fairfax
13	Falls Church
14	Franklin
15	Fredericksburg
16	Galaxia
17	Hampton
18	Harrisonburg
19	Hopewell
20	Lexington
21	Lynchburg
22	Manassas
23	Manassas Park
24	Martinsville
25	Newport News
26	Norfolk
27	Norton
28	Petersburg
29	Poquson
30	Portsmouth
31	Radford
32	Richmond
33	Roanoke
34	Salem
35	South Boston
36	Staunton
37	Suffolk
38	Virginia Beach
39	Waynesboro
40	Williamsburg
41	Winchester

SCALE

0 20 40 60 80 100 Kilometers

0 20 40 60 80 100 Miles

LEGEND

━	Metropolitan statistical area (MSA)
◉	Place of 100,000 or more inhabitants
◍	Place of 50,000 to 100,000 inhabitants
●	Place of 25,000 to 50,000 inhabitants
○	MSA central city of fewer than 25,000 inhabitants

State capital underlined

All political boundaries are as of January 1, 1980

U.S. Department of Commerce

MSA boundaries are as defined on June 30, 1983

The Cumberland Plateau Planning District Commission was able to establish and maintain cooperative partnerships within its region not only because of the kind of services it provides regionally, but also because of its structure. The Commission is governed by a 32-member board of directors composed of local elected officials, small-business owners, and representatives from educational institutions. When the Job Training Partnership Act was enacted, Cumberland Plateau was able to present the program to community leaders and activate its community network to meet the goals of JTPA.

Activating Local Government

Each of the eight local jurisdictions within the Cumberland Plateau region played a part in determining the leadership of the service delivery area's private industry council and advisory policy board. For example, the members of the county boards of supervisors from the service delivery area, several of whom serve as Cumberland Plateau board members, were responsible for forming the Advisory Policy Board and appointing eight county administrators to serve as an advisory body to the private industry council. Each local jurisdiction in the service delivery area was also responsible for electing two private industry council members from the nominations received from agencies and organizations within SDA-One. Because of the cooperation between the planning district commissions and their local jurisdictions, the private industry council broadly represents the large labor market area.

The Cumberland Plateau Planning District Commission has also worked with local governments to stimulate economic development in the service delivery area. For example, Tazewell and Scott Counties are currently completing a state industrial development certification program with the assistance of JTPA funds. As part of the certification process, the counties develop community profile publications, design brochures and audio-visual promotions, and target potential industrial sites. Once they have been certified, the counties will be prepared to offer new industrial sites for business. JTPA is thus able to assist in stimulating creation of new jobs.

Activating Educational Institutions

Several members of the academic community also own and operate businesses in the service delivery area. Because of this dual role, educators have taken an active role in the development of the Cumberland Plateau region and the service delivery area. As administrator of JTPA, the Cumberland Plateau Planning District Commission contracts with community colleges and county school boards for job training activities such as skill assessment, job counseling and referrals, and classroom training. Local governments in the service delivery area also have entered into subcontractual agreements with educational institutions to provide special technical training classes.

The Southwest Virginia Community College has paved the way for other educational institutions in the service delivery area to join together in the JTPA partnership. For example, the community college, the Buchanan County Board of Supervisors, area hospitals, and local manpower planners established a nurse training program with JTPA funds to meet the growing demand for skilled nurses in area hospitals. Before the JTPA-sponsored nurse training program, Buchanan County was importing nurses from the Philippines to meet minimum personnel requirements at its two area hospitals. The nearest educational institution for nurses — Southwest Virginia Community College — was considered too long a commute by prospective students. Through JTPA, the community college moved its training program to a Buchanan County college campus, and residents of the service delivery area are now being employed by area hospitals.

The Cumberland Plateau Planning District Commission has also involved educational institutions in encouraging economic development using JTPA. For example, local community colleges have sponsored seminars to identify key people to participate in small business/industrial development activities, and they have established small business assistance centers with JTPA funds. These activities are described in detail later in this case study.

Activating the Private Sector

The Cumberland Plateau Planning District Commission has used a wide array of networks to reach the business community and stimulate interest in the job training program. First, as specified under JTPA, over half of the members of the service delivery area's private industry council are representatives from the private sector. As mentioned earlier, each local jurisdiction was responsible for selecting two private industry council members. Second, Cumberland Plateau identified the on-the-job training program as the first point of contact for many private sector individuals. According to the JTPA administrator, businesses seek the most cost-effective means to find skilled labor; those businesses would find the bottom-line benefit of on-the-job training very attractive. Therefore, the Cumberland Plateau Planning District Commission encouraged on-the-job contractors to market their services to prospective employers through promotional brochures and the local news media.

The private industry council has also awarded JTPA funds to local industrial development authorities to attract new industries. For example, the Scott County Industry Development Authority used JTPA funds to develop its industrial certification program to help residents draw new industry to their communities.

Small business start-ups is another priority of the Cumberland Plateau Planning District Commission. Through JTPA, the service delivery area has reached over 100 entrepreneurs and assisted them with financial packaging, writing business plans, and other activities involved with establishing a new business. As of March 1985, 31 business start-ups had resulted from JTPA-sponsored activities.

The successful linkage between job training and economic development in SDA-One is a direct result of the strong partnerships between local government, educational institutions, and the business community. Each group realizes a benefit from the link: Local governments gain tax revenues and contact with industry. Educational institutions gain enrollment dollars, access to business and local government. The business community gains consumer dollars, skilled labor, and access to local officials.

Creating New Networks: The Economic Development Set-Aside

When the Cumberland Plateau Planning District Commission prepared its plan to be the JTPA administrative entity, it included a proposal to set aside a portion

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of JTPA funds for economic development activities. In 1983, the private industry council and the local elected officials adopted this proposal. Both realized that assisting the development and expansion of local business and industry would provide jobs for JTPA trainees.

The JTPA economic development set-aside is an extremely flexible program which encourages business and government to invest in the service delivery area's economy. The set-aside funds are distributed as grants to any business, government agency, or individual who can competitively meet the key criteria: creation of jobs and use of JTPA trainees. Eligible projects include feasibility studies for new industries, market and site analyses, and industrial promotion and recruitment. To date, grant recipients have included local governments, regional councils, community colleges, private industry, state agencies, and individual citizens. Projects have ranged from large-scale marketing activities to small business assistance centers.

The economic development set-aside funding level is determined annually. Additional funds may be added each year based on need and availability. In 1983, the private industry council and policy board of local elected officials approved $50,000 for the set-aside. This increased to $75,000 in 1984, and $136,000 in 1985, with the support of government and private sector leaders in SDA-One.

Although the economic development set-aside was implemented in 1983, the majority of projects were initiated in 1984 and are not yet completed. The following section describes selected projects and discusses expected results.

Small Business Assistance Projects

JTPA economic development set-aside grants for small business assistance have been awarded primarily to educational institutions for creation of small business assistance centers. The centers place emphasis on counseling, continuing education, and roundtable discussions to promote economic development. Since the centers were created, they have concentrated on stimulating the growth of new small businesses and helping struggling businesses to recover.

Southwest Virginia Community College, in cooperation with two other community colleges, used a $35,000 grant to create and organize an on-campus small business assistance center. The center offers individuals business counseling, assistance in Small Business Administration and other loan applications, workshops, executive roundtable discussions, audio-visual resources, and a business library. All services, with the exception of seminars and workshops, are provided free-of-charge.

To date, the center has sponsored several seminars. Participants have included business representatives, education providers, congressmen, state economic development practitioners, and service industry representatives. The small business assistance center has been directly responsible for the following results in SDA-One:

- Creation of 24 jobs from new business start-ups
- Assistance to 100 individuals and businesses

- Heightened awareness among community leaders of small business development and its impact on creating jobs for area residents
- Continued JTPA funding for small business assistance in the following program year
- Creation of additional on-campus small business assistance centers in the service delivery area

Southwest Virginia Community College also used a $1,500 grant to identify key people in three counties to participate in activities related to small business/industrial economic development. The college has sponsored three executive roundtable conferences, which gave more than 100 participants an opportunity to discuss ideas and strategies for stimulating the economy in southwestern Virginia.

Marketing and Industrial Promotion Projects

JTPA economic development set-aside grants for marketing and industrial promotion have been awarded to local governments, educational institutions, and private sector representatives. The projects focus on marketing SDA products and services in order to attract new industry and jobs for area residents.

Russell County Industrial Development Authority used a $22,000 grant to develop a regional brochure and media advertising program promoting industrial development in the service delivery area. The project is coordinated through the Marketing Services Section of the Virginia Division of Industrial Development. As a follow-up to this project, two regional councils, in cooperation with the state, used a $70,000 grant to develop an advertising publication to attract high technology business to the region. The publication, "High Technology Applied Here," will be distributed to industrial prospects by the marketing division of the state's Department of Economic Development. The state is now distributing the publication as an economic development marketing tool.

Economic development practitioners in SDA-One and SDA-Two used a $35,000 grant plus matching funds from SDA-Two to develop an in-state and out-of-state advertising campaign. The campaign theme, "Southwest Virginia. . . It's All Here," promotes the region as progressive with a positive business climate. In addition, it shows the region's cultural and historical resources. Working with a local advertising agency, the grant recipients will produce brochures, develop public service announcements, and place advertisements in national publications such as the Wall Street Journal, Business Week, high technology trade magazines, and other development tabloids. The project will be completed in September 1985 and is expected to bring new jobs to the area.

In a joint project with SDA-Two, the Virginia Highlands Tourism Association used a grant of $12,500 ($5,000 from SDA-One) to develop travel and tourism brochures which show southwestern Virgina as a travel destination. The project is expected to bring additional tourism to the area and create new service industry jobs.

A Korean-born professor, employed by Cinch Valley College, used a $2,788 grant to promote southwestern Virginia coal at a coal convention in Korea. The professor was accompanied by U.S Senator John Warner's chief legislative aide. During the conference, the professor presented information on the availablity of Virginia coal and its competitiveness in the international market. In addition, the Virginia delegation presented information prepared by the Virginia Coal Council. As a result of the conference, the delegation was able to begin negotiations to increase the amount of Virginia coal purchased by Korea.

Recapturing Existing Industry

Phoenix Industries used a $29,000 grant to create a locally owned ladies blouse company. In 1984, the company's facilities had been destroyed by fire, and the owners did not want to rebuild. Service delivery area residents were faced with a major employer leaving the area. The Tennessee Valley Authority, local boards of supervisors, and planning commissions joined together to reconstruct the facility and bring jobs back to the service delivery area. The new company would be owned by the community, and corporate profits will be used to fund additional economic development projects. According to the proposal submitted by Phoenix Industries, 79 new jobs will be created because of JTPA support.

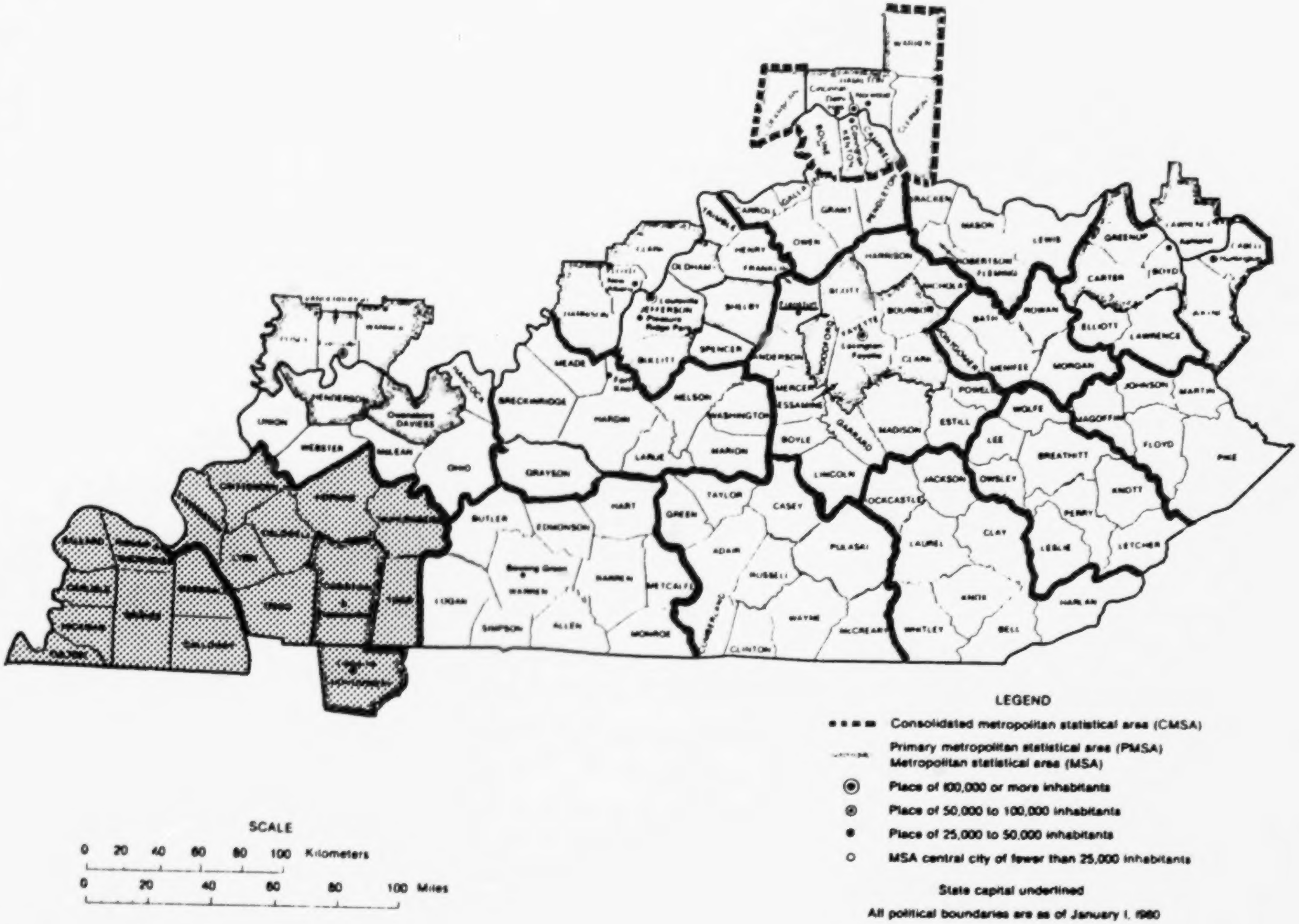
Future Plans

In the year ahead, SDA-One plans to continue to link job training and economic development projects. According to Andrew Chafin, JTPA administrator, the private industry council plans to use JTPA funds to establish a small business revolving loan fund and a locally based national mail order business for distributing locally made products and crafts. On a short-term basis, SDA-One strives to increase the number of jobs for its community. For the long term, the service delivery area will continue to take the necessary steps to strengthen and diversify the economy in southwestern Virginia.

SOUTHWESTERN KENTUCKY

The Pennyrile Area Development District in Hopkinsville, Kentucky, was selected as the JTPA administrative entity for its service delivery area in southwestern Kentucky in 1983. For this regional council, JTPA is a complementary tool for economic development. The Pennyrile Area Development District has used JTPA to assemble a trained work force to attract businesses and encourage expansion of existing industries.

The governor of Kentucky established the JTPA service delivery area boundaries by grouping similar labor market areas together along area development district boundaries. The 17-county Purchase and Pennyrile service delivery area serves a population of approximately 400,000 and encompasses two area development district jurisdictions. The Pennyrile Area Development District boundaries include Livingston, Crittenden, Lyon, Caldwell, Hopkins, Trigg, Christian, Muhlenberg, and Todd counties; the Purchase Area Development District boundaries include Ballard, Carlisle, Hickman, Fulton, McCracken, Graves, Marshall, and Calloway counties. Although both regional councils cooperate to provide JTPA services, the Pennyrile Area Development District is the designated administrative entity/grant recipient under the joint agreement between the private industry council and local elected officials. The Purchase ADD coordinates with Pennyrile to oversee program functions within its own boundaries.


HENDERSON
DAVIESS
Owensboro
UNION
WEBSTER
McLEAN
HANCOCK
OHIO
BRECKINRIDGE
MEADE
HARDIN
GRAYSON
LARUE
NELSON
BULLITT
SPENCER
JEFFERSON
Louisville
OLDHAM
SHELBY
HENRY
TRIMBLE
CARROLL
GALLATIN
OWEN
GRANT
FRANKLIN
Frankfort
WOODFORD
FAYETTE
Lexington-Fayette
BOURBON
SCOTT
HARRISON
PENDLETON
BOONE
KENTON
CAMPBELL
Covington
BRACKEN
MASON
ROBERTSON
FLEMING
NICHOLAS
LEWIS
GREENUP
BOYD
Ashland
CARTER
ELLIOTT
LAWRENCE
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Bowling Green
ALLEN
SIMPSON
LOGAN
CHRISTIAN
TODD
CRITTENDEN
CALDWELL
LYON
TRIGG
CALLOWAY
MARSHALL
GRAVES
McCRACKEN
BALLARD
CARLISLE
HICKMAN
FULTON
HOPKINS
LEGEND
Consolidated metropolitan statistical area (CMSA)
Primary metropolitan statistical area (PMSA)
Metropolitan statistical area (MSA)
Place of 100,000 or more inhabitants
Place of 50,000 to 100,000 inhabitants
Place of 25,000 to 50,000 inhabitants
MSA central city of fewer than 25,000 inhabitants
State capital underlined
All political boundaries are as of January 1, 1980
SCALE
0 20 40 60 80 100 Kilometers
0 20 40 60 80 100 Miles

U.S. Department of Commerce

CMSA, PMSA, and MSA boundaries are as defined on June 30, 1983

JTPA and Kentucky Regional Councils

Kentucky regional councils, called area development districts, have varying roles under the Job Training Partnership Act. In the early stages of JTPA, each area development district in Kentucky had a manpower planner, supported by the state, who was familiar with each region's training needs. These planners served as a catalyst in the formation of the private industry council for each region's service delivery area.

Each area development district's board is composed predominantly of local elected officials. Local elected officials from regional council boards are involved in JTPA by serving in an advisory capacity to the private industry council and the administrative entity of the service delivery area — usually a Kentucky ADD.

No area development districts in Kentucky are service deliverers under JTPA; they serve as "administrative entities" providing administrative and/or financial services, or as suppliers of long-term planning and technical assistance. In Kentucky, private industry councils determine who receives JTPA contracts, but administrative entities actually award the service delivery contracts. Regardless of the responsibilities of the administrative entities, Kentucky private industry councils are usually allotted resources for staff and operations to fulfill their responsibilities. The distribution of resources and responsibilities are set forth under the local partnership agreement.

The most extensive regional council involvement under JTPA occurs when area development districts are chosen as local administrative entities for the job training program. Of the nine service delivery areas in Kentucky, six are administered by ADDs. Under the local partnership agreement, the private industry council subcontracts with the area development district for administrative and financial services. The area development district performs all JTPA-related administrative services to the service delivery area and provides data and technical assistance to JTPA contractors. In some cases, when more than one regional council is located in a service delivery area, both provide job training information to the private industry council and also work together on JTPA delivery. However, under the joint agreement between the private industry council and local elected officials, only one regional council is designated as the "administrative entity" or lead agency responsible for administrative, financial, and contractual services.

Pennyrile ADD: The Cornerstone of Economic Development

The Pennyrile Area Development District is located in a rural area. The populations of most cities within the region range between 3,000 and 8,000. The largest cities in the region have populations of approximately 17,000 to 27,000; the closest metropolitan area is Nashville, Tennessee, which is located outside the region's boundaries. The Pennyrile region is supported by an extremely diverse economy. Major industries include farming, manufacturing, coal mining, lumber, and tourism. In addition, Fort Campbell Army Base is located within the region.

To retain and build on its economic base, Pennyrile Area Development District has placed emphasis on promoting community awareness and support for existing industries as well as for strengthening job creation efforts. Pennyrile's economic development activities center around direct and indirect assistance to communities, business, industry, and development organizations by providing:

- an environment in which business/industry can thrive
- financial packaging for enterprise development
- a trained work force to meet business/industry needs

According to a survey conducted by the National Association of Regional Councils in 1982-1983, the Pennyrile ADD has been involved in such economic development activities as loan packaging, tourism promotion, commercial revitalization, and industrial development. For several years, the regional council has concentrated on environmental development and infrastructure needs assessment to prepare for rapid economic growth. These activities have included water and sewer system development and expansion, industrial site development, and general public facilities development.

The Pennyrile Area Development District has packaged public and private sector funds to assist new or expanding businesses. In cooperation with local banks and industrial authorities, the regional council has assisted industries in becoming competitive in the national and world marketplaces. Efforts have ranged from assisting companies in product modifications to relocating companies closer to needed raw materials. By preparing its region for economic growth and bringing together public and private resources, the Pennyrile ADD has undertaken 12 major projects in the past year, with a total investment of $16.8 million and the potential for creating or retaining 935 jobs.

Since its formation in 1969, Pennyrile has served as a clearinghouse for economic development activities by providing all available resources to benefit the economic bases of its cities and counties. The area development district is an agency that provides linkages through federal and state programs housed within the agency to create a link between business and local economies; the Pennyrile ADD is a one-stop shopping center for business.

How One-Stop Shopping Works

The Pennyrile Area Development District blends federal, state, and local resources to provide the assistance that businesses need to expand and grow. The technical expertise of the regional council staff complements the business and government contacts available to it, resulting in a one-stop resource center for small businesses wishing to relocate or develop in the area. In its arsenal, the ADD has three important resources to assist new or expanding businesses.

- Access: The ADD and its advisory committees are composed of key representatives from state and local governments, area business leaders, and citizens — all committed to strengthening the region's economy and responsive to business needs.
- Financing Connections: The ADD can locate and tap state and local economic development funding sources.
- Technical Expertise: The ADD staff has the technical and practical knowledge to assist a business with its start-up, development, or expansion.

Access: Interaction with Decision Makers

Individuals planning to start a new business or expand an existing operation can access a total range of policy officials and community leaders through the Pennyrile Area Development District. These leaders – state and local government officials, industrial authorities, economic development administrators, and chamber of commerce representatives – are responsible for making decisions to pave the way for business development in the service delivery area.

The Pennyrile ADD is governed by a 40-member board of directors. Fifty-one percent of the members are local elected officials from jurisdictions throughout the region, including county judges and mayors. The remaining board members are private citizens, including bankers, farmers, radio station owners, and utility industry executives. In addition, the four state senators and nine state representatives from throughout the Pennyrile area serve as ex-officio board members. As a group, the Pennyrile ADD board meets once a month. However, the Pennyrile staff maintains regular contact with the board between formal meetings.

The Pennyrile board directs the agency in all aspects of its operation, including economic development activities. The local elected officials of the Pennyrile board also provide policy support to the West Kentucky Private Industry Council on JTPA activities. To enhance the cooperation embodied in JTPA, the Pennyrile ADD board established a link to the region's job training efforts by endorsing policy decisions adopted by the West Kentucky Private Industry Council.

The West Kentucky Private Industry Council is composed of 45 members, representing small business, large industry, education, economic development, labor, community-based organizations, and employment services. WKPIC and the local elected officials develop annual training plans which specify who is to be served, what services are to be provided, and who receives and manages the training dollars within the service delivery area.

Other public agencies provide coordination and linkages with the West Kentucky Private Industry Council to implement its training activities. For example, local chambers of commerce often direct prospective new or expanding businesses to the private industry council. Chambers of commerce also make nominations to the local elected officials for appointment to the private industry council. Industrial development agencies and Pennyrile ADD staff market PIC programs to prospective, new, and expanding industries. The Pennyrile Area Development District staff also work with the state employment service to refer appropriate individuals to On-the-Job-Training contracts, as well as making employer contacts. Further, through the JTPA program, ADD staff assist vocational education providers with industrial surveys and customized training programs.

Financing Connections: Working the Network

Individuals planning to start a new business or expand an existing operation can access a wide variety of funding sources through the Pennyrile Area Development District. The Pennyrile ADD has capitalized on its administrative and liaison role within the region and is able to bring together federal, state, and local funds to assist businesses. Primary funding sources include:

- Community Development Block Grant funds: Grants for economic development, public facilities, and special projects to develop new centers of population growth and economic activity; loans for business expansion. The Pennyrile ADD administers CDBG grants and loans by entering into contracts with local governments who are the state-designated recipients.
- Small Business Administration 503 loans: Low-interest loans to small businesses provided through the 503 Certified Development Company program. The certified development company is a wholly-owned subsidiary of the Pennyrile Area Development District.
- Industrial Revenue Bonds: Bonds to assist businesses to locate in the community. Monies are used for mass transportation, water and sewer, infrastructure, airports, etc. The Pennyrile Area Development District helps local governments organize the financial package using these bonds. A local government or industrial development authority must pass a resolution stating their intention to use their tax-exempt status to finance a company. The transaction is handled primarily through a local bank private lender.
- Job Training Partnership Act funds: Funds for on-the-job contracts, customized, training and other services. The Pennyrile Area Development District administers these funds for the service delivery area.
- Kentucky Development Finance Authority funds: Low-interest loans to assist agriculture-related industry, manufacturing industry, and tourism operations. Administered by the state finance authority, these funds can only be used for fixed assets. The Pennyrile ADD helps businesses apply for funds.
- Targeted Jobs Tax Credit: Tax credit for businesses hiring targeted workers. The Pennyrile Area Development District promotes the tax credit and refers interested businesses to the local department of employment services responsible for administering the program.
- Composite Industrial Bond Program: Low-interest state bonds for small businesses. Beginning in the fall of 1985, the Pennyrile Area Development District will work with area banks, local governments, and small businesses to package these funds for economic development.

Using these public financing tools, the Pennyrile ADD has been able to present varied financing options to businesses to complement the resources that local banks and industrial authorities use to create growth. As an added dimension, funds recaptured by local governments from loan repayments are reinvested into the community for economic development through revolving loan funds. Because of its role as administrator for many of these funds, the Pennyrile Area Development District is able to maintain and expand the economic development expertise within its organization. The result of these efforts is the creation of new jobs as well as the retention of existing jobs.

Technical Expertise: Practical Knowledge from Start-Up to Expansion

Approximately one-third of the Pennyrile Area Development District staff is assigned exclusively to economic development and job training administration.

In addition, the West Kentucky Private Industry Council staff is housed within Pennyrile ADD offices. The private industry council, under the local partnership agreement, is allotted staff to carry out its responsibilities. The Pennyrile ADD staff also provide support to the private industry council staff.

When potential investors contact the area development district, they are referred to the economic development or the job training department, depending on the need or goal of the business. The Pennyrile ADD staff in these two program areas meet weekly to coordinate plans for responding to business needs, obtaining available financing, and locating available jobs. This information is transmitted to the entrepreneur. In the past year, the Pennyrile Area Development District has produced 10 economic development projects ranging from manufacturing expansions to tourism operations. Eight of these 10 projects included on-the-job-training contracts for workers in fields such as machine operators, welders, and sawmill workers.

Sample Projects

For 1985-1986, the Pennyrile Area Development District is carrying out 11 major economic development projects which are expected to create or retain 820 jobs. Two of these projects, which exemplify the economic development/job training link, are described below:

Averitt Lumber Company, located in Trigg County, Kentucky, was interested in expanding its operation. The company sought to upgrade plant equipment and construct an additional holding facility for wood treatment. Averitt Lumber Company had been operating for 11 years and employed 62 workers.

The company came to the Pennyrile ADD for funding and job training assistance through initial contact with the Trigg County Industrial Development Authority, a local industrial development agency. The Trigg County Industrial Development Authority has worked closely with Pennyrile ADD in the past. In addition, the chairman of the Trigg County Industrial Development Authority is a member of the West Kentucky Private Industry Council.

The Pennyrile Area Development District put together a $625,000 financing package for Averitt Lumber Company with SBA 503 loans, local bank financing, CDBG grants, and Kentucky Development Finance Authority loans. As the economic development division of the Pennyrile ADD was putting together the financial package, the job training staff were developing on-the-job-training contracts. The Pennyrile Area Development District/WKPIC contracted with Averitt for 10 on-the-job-training positions for sawmill workers, stock graders, and shipping machine operators. The average training wage for each worker is $6.00 per hour. The Pennyrile ADD expects additional on-the-job-training contracts with Averitt Lumber Company in the future.

Arvin Industries, in Princeton, Kentucky, was interested in reorganizing its operations and changing its product line from electrical components to mufflers. The change in product lines was expected to have a devastating impact on the economy of Princeton. Prior to Arvin Industries' plans, the other major Princeton industry closed. Princeton residents not only faced layoffs because they did not have the skills for the "new" Arvin Industries, but also had no other source of employment. Arvin Industries was considering relocating to another area because of the dramatic changes needed to change its operations and employ skilled labor.

Local authorities informed the Kentucky Commerce Cabinet of Arvin Industries' plans to relocate. The Commerce Cabinet contacted the Pennyrile Area Development District to put together a viable financial package that would help Arvin Industries maintain its location in Princeton, Kentucky.

The area development district and the state put together a multi-million dollar financial package for Arvin Industries using Community Development Block Grants, JTPA funds, and Industrial Revenue Bonds which were authorized by the City of Princeton. Because of this financial and training package, Arvin Industries was persuaded to stay in the Princeton area.

The Pennyrile Area Development District and the state Department of Employment Services contracted with Arvin Industries for a total of 230 positions. The majority of these positions were filled by dislocated workers in the Princeton area under JTPA Title III funds. The Pennyrile ADD provided on-the-job-training funds to Arvin to train and fill the remaining 25 positions for set-up operators, machine operators, and arc welders. The average training wage for these positions is $5.00 to $6.00 per hour.

In addition to Pennyrile's economic development and job training activities, the Purchase Area Development District — the other regional council located in the Purchase/Pennyrile service delivery area — has been instrumental in a regional effort to link economic development and job training activities by creating the first industrial development task force in Kentucky. The task force is charged with investigating regional approaches to industrial economic development. The Purchase Area Industrial Development Task Force is composed of representatives from the local chambers of commerce, the area development district board of directors, and the industrial development agency.

One of the primary activities of the task force is to extend its business network to new and existing industries in the region. As part of this objective, the task force annually sponsors an industrial appreciation dinnner to recognize industrial developers and manufacturers in the region. In 1985, over 1,000 business and community leaders, including the governor of Kentucky, attended the event.

In 1985, the Purchase Area Industrial Development Task Force contacted the private industry council with a proposal to produce a regional marketing brochure directed toward industrial prospects. The brochure includes information on regional services such as transportation, recreation, housing, and public works. Additionally, the brochure informs industry about the availability of employment and training activities under JTPA and how they can be linked with industrial development.

The private industry council committed approximately $7,000 in JTPA funds to the project. In cooperation with local chambers of commerce and industry development authorities, the Purchase Area Development District also contributed funds. The brochure not only includes general information on the services available to business, but also features the names of contacts in existing industries, chambers of commerce, industrial development foundations, and the private industry council.

Future Plans for Linking Economic Development and Job Training in Pennyrile

The Pennyrile Area Development District has established an extensive network in western Kentucky for assisting businesses to locate and grow. In the next year, it plans to expand this network to include merchant and manufacturing associations. The Pennyrile ADD is also investigating a working agreement with local industrial development authorities to develop marketing information for the service delivery area.

In addition to these efforts, the Kentucky Commerce Cabinet is establishing economic development task forces according to SDA boundaries. The task forces, comprising representatives from local chambers of commerce, banking institutions, and industrial development authorities, will promote economic growth in their service delivery areas. Kentucky ADDs are responsible for nominating two task force members from each county in their region and two at-large members.

Area development districts will also serve as support staff to the task forces. The ADDs will assist task force members in defining their region's development and training needs and will work with the Kentucky Commerce Cabinet to design training workshops for task force members.

CONCLUSION

No two communities are exactly the same. However, the experiences in Virginia and Kentucky illustrate concepts and techniques which can be applied by other regional councils seeking to improve their coordination of economic development and employment and training. For example:

- Coordination is best fostered when previously good working relationships between government, business, and educational institutions are tapped for specific linkage efforts.
- Identification of specific and immediate employment or economic development needs provides a sound basis for programmatic linkages.
- Extensive program knowledge by those in leadership roles facilitates the design and implementation of economic development incentive packages which incorporate attractive and productive employment and training components.
- Broad-spectrum representation on policy-setting boards can help to achieve common, workable perspectives and objectives.
- JTPA offers various flexible means to fund complementary economic development and human development programs through employment-generating and training activities.

Coordination becomes increasingly important when solutions are sought for problems which encompass numerous governmental jurisdictions or a widespread geographical area. Regional councils are the natural choice for undertaking this essential function because of their nature and multi-jurisdictional structure. Hopefully, the lessons which can be drawn from these case studies will enable other regional councils to inaugurate or further their efforts to link economic development and employment and training.

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MAKING THE LINK

LOCAL ECONOMIC DEVELOPMENT AGENCIES

Coordinating Economic Development and Employment and Training

This is one of three complementary reports prepared as part of a technical assistance project funded by the Economic Development Administration. The purpose of the project was to identify successful approaches to coordinating economic development and employment and training programs and to assist other development and training agencies that wanted to initiate coordination efforts. This report on coordination by local economic development agencies was prepared by the National Council for Urban Economic Development. A report on state government coordination was prepared jointly by the National Alliance of Business and the National Association of State Development Agencies; a report on coordination by regional councils was prepared by the National Association of Regional Councils. The overall project was managed by the National Alliance of Business. The project and these reports reflect the importance of collaboration among the various levels of government for successful coordination between economic development and employment and training programs.

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prepared by

National Council for Urban Economic Development

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FOREWORD

Local economic development practitioners understand the central and growing influence of the "labor factor" on investment decisions. For at least two decades, they have been in the forefront of the effort to put that understanding into action by incorporating employment and training resources into their program activities.

For many local economies, the difference between growth or decline may be the availability of a labor force with suitable skills or with the means of acquiring those skills. This is especially true as the changing composition of the economy places an increasingly higher premium on human capital. A recent report on creating local economic development strategies, prepared by the National Council for Urban Economic Development, concluded that "labor is the most important factor of production in most businesses/industries." CUED placed skilled labor at the top of the list of items that add up to a community's economic competitive advantage.

Today, virtually every locality has at least one organization — public, private, or quasi-public — that carries out an organized economic development program. Since the enactment of the Job Training Partnership Act, every locality is within a service delivery area that has an employment and training agency led by a private industry council. Most communities also have access to other human development institutions such as vocational education schools, community colleges, four-year colleges and universities, and private training agencies. Since most economic development and employment and training activity is carried out locally, forging a link there is especially important.

The manpower training programs of the sixties and seventies were oriented to the public sector, rather than the private. The creation of JTPA has significantly improved the prospects for more widespread coordination between local economic development agencies and employment and training programs. Its emphasis on training and strong business participation offers new opportunities to use employment programs as investment incentives by tailoring them to meet private sector needs. The JTPA structure provides practitioners with an opportunity to become directly involved in the training process and makes practical coordination tailored to the needs of the locality an easily achieved goal. This report is offered with the hope that it will enable many communities to achieve that goal.

The report was written by Bradley H. Winick, project consultant. Andrea Kailo served as editor, and Annette Richardson was responsible for production.

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INTRODUCTION

Linking the employment and training functions of a given locality with the area's overall economic development strategy creates an opportunity to coordinate two of the fundamental components of the development scenario — labor and capital — and to incorporate some of the other elements as well, such as land, markets, and entrepreneurship. Linkage can affect both the organizational structures which are established to carry out an area's development and training functions and the particular programs which evolve in response to local needs.

In light of the continuing reduction of federal funding for economic development programs, linkage is an attractive way to increase the impact that development and training programs might have separately. Many states, sub-state regions, and cities are recognizing that linkage can contribute to the accomplishment of a number of economic development goals. The provision of employment and training services can strengthen business attraction and retention efforts, reduce chronic unemployment, and help cope with the problem of displaced workers. The potential value of providing employment and training services as a development incentive is being recognized widely, and development agencies are working to realize that potential.

Will linking the development and training functions make a significant difference in the degree to which development objectives are achieved? Do linkages merely add another layer of hierarchy and bureaucracy to two functions which work best if they remain autonomous? Which linkage techniques work best? There is no one correct answer to these questions. As with so many other development issues, the right answer in a given case is inextricably intertwined with the particulars of that situation.

Describing the concept of linkage and pointing to its potential benefits is one thing; actually putting it into action is another. The provision of employment and training services can be an important development tool, but there are a number of barriers to developing strong and effective linkages. Issues of "turf," questions of divergent missions and requirements, and lack of the requisite official commitment to the concept are but a few of the more obvious obstacles.

A number of organizational and related questions must be addressed when attempting to link development and training. The case studies in this report focus on the issues involved in the establishment of linkages at the local level. Several examples of local linkages currently being forged or in operation are included here, along with data gathered in fact-finding site visits to three cities. The lessons to be learned from these cities are discussed, and recommendations for properly structuring linkages elsewhere are offered.

A great interdependence exists between state and local linkage efforts, with some of the most powerful linkages being those which incorporate state and local initiatives. The companion report on state governments cites several examples. Two other reports published by the National Council for Urban Economic Development complement the information contained herein: Information Service Report No. 28, June 1984 (JTPA) and Information Service Report No. 29, January 1985 (Customized Job Training and Economic Development).

GENERAL TYPES OF LINKAGES

In general terms, what arrangements can be made to tie together development and employment programs? Linkage initiatives may be divided into three broad and overlapping categories: organizational, procedural, and programmatic.

Organizational Linkages

The most obvious way to pull the two functions together is through some type of organizational structure. Organizational linkages typically focus on the development of more efficient means of sharing information and formal arrangements for coordinating and integrating development and training programs.

Common types of organizational linkages include:

- Overlapping advisory committees for the lead agencies
- Sharing staff on a permanent or a project basis
- Establishing linkage coordination committees
- Departmental merging

As noted earlier, the focus of this report is on overcoming the obstacles to organizational linkages. Thus, the case studies below will provide examples of many of these approaches.

Procedural Linkages

A number of process or procedural techniques have been used to merge development and training activities. Procedural linkages ordinarily establish jobs objectives and then use procedures such as performance standards in contracting or area targeting of public financial resources.

Common types of procedural linkages include:

- Targeting of public resources to particular geographical areas or population groups. In San Antonio, Texas, for example, low-interest loan programs are awarded with particular attention to job creation potential for economically disadvantaged residents.
- Performance-based contracting whereby an agency is paid a fixed sum for each individual who completes a training program and is placed in a job. Buffalo, New York, is an example of a city which has successfully used performance-based contracts as incentives for economic development.
- Hiring agreements in which development and training agencies enter into contractual agreements with firms which receive public assistance to hire individuals referred or trained by the employment and training agency. Such agreements are often called "first source agreements," as a city agency is the first source for placement into jobs negotiated in advance. Portland, Oregon, first developed such agreements in 1979 and has had excellent results with this system.

Programmatic Linkages

Programmatic linkages often incorporate employment and training in specific market development/expansion programs or business incentive programs developed by localities. Any number of new programs which combine the resources of existing agencies can be designed and run to advance linkage objectives. For example:

- Small business assistance programs are designed to aid small businesses and to retain or create jobs. Broward County, Florida's "Be Your Own Boss" program trains JTPA clients to operate their own businesses. The program is jointly run by the private industry council and the employment and training agency. In Akron, Ohio, a number of agencies and institutions collaborated on a small business incubator building. Qualifying businesses are given space at reduced rates, management assistance from the local university, financing assistance through city and county economic development agencies, and employment and training services through the PIC.
- Customized training is firm-specific training. Baltimore, Maryland, worked with the operator of a large new hotel to fill as many jobs as possible with economically disadvantaged residents. The PIC screened and interviewed all the applicants, and the city agency involved ran a skills and motivational training course for those hired. In addition to job placement for 500 disadvantaged residents, the city benefited because this successful program made it easier to negotiate similar arrangements with other developers.

Linkage covers a wide range of activities – from the formal and permanent combining of two or more departments, to a simple and informal relationship in which several actors periodically exchange information about their own activities. The types of linkage initiatives that can be successfully implemented in one city may be very different from those that are feasible or advisable in another. The linkage strategy for a particular setting should be keyed to the organizational, political, and social environment.

The above examples demonstrate the diversity of strategies by which linkage may be used to leverage the effectiveness of either development or training programs to meet an area's development objectives. As discussed in the next section, the specific types of linkage strategies likely to be effective will depend upon the economic climate of an area.

BUILDING UPON EXISTING STRENGTHS

Linkages should assess and build upon the existing strengths of the functions to be linked. It is not necessarily true that only strong departments and programs are ripe for the establishment of linkages. Nor, however, should linkage be viewed as a cure-all for improving weak departments or programs. Rather, linkages should be based upon both the existing strengths and the potential of the local economic development and employment and training departments.

An area's economic climate influences the types of links that can or should be forged. Linkage measures that are appropriate for an economy undergoing retrenchment may not be the most suitable linkage structures to set up in a booming economy or one which is in the process of readjustment from one economic base to another. For example, a survey assessing the labor needs of existing businesses would be more critical for an older or retrenching economy than for an area undergoing rapid business growth. On the other hand, a strategy by which new job creation could be targeted to economically disadvantaged residents is more appropriate to a booming than a retrenching economy.

The cities studied in conjunction with this report were selected to view each of these economic conditions – retrenchment, readjustment, and boom – and to address some of the linkage strategies appropriate to these different circumstances. The Ashland, Kentucky, area is confronting problems related to instability and contraction in its historic core industries of coal, oil, and steel. Dallas, Texas, is enjoying a booming economy, thanks in large part to its high concentration of financial services and emerging technologically-oriented industries, but is aiming at more balanced and equitable development. Glendale, California, is in the process of diversifying its economy, expanding its financial and service sectors, and investigating ways to attract more technologically-oriented businesses.

The case study site visits to Ashland and Glendale were done as technical assistance visits in which a team of economic development professionals organized by the National Council for Urban Economic Development offered technical assistance in areas identified by the cities. This assistance took the form of meetings and discussion while on site, followed by a final report with specific recommendations for ongoing linkage activities. The Dallas visit was strictly a case study, with no recommendations involved.

CASE STUDIES

Ashland, Kentucky

Ashland (pop. 27,000) is the population center of the Boyd and Greenup Counties area (pop. 90,000) in the tri-state region of Kentucky, which borders on the Ohio River. The area is economically distressed due mainly to the downturn in its manufacturing sector. Since 1982, the unemployment rate has averaged 17.1 percent in Greenup County and 14.2 percent in Boyd County. Ashland has been actively attempting to diversify its economy both to mitigate the effects of this structural downsizing and to open up other employment-generating sectors.

A 1981 consultant study recommended that Ashland develop as a service industry center for the region. The city has responded by redeveloping its downtown area – $57 million in major construction, including a new regional post office, convention hotel, federal office building, a newly opened bridge to Ohio, and a medical center expansion.

The study also helped focus attention on the need to coordinate economic development strategies over the greater Ashland area. Informal discussions began among a variety of public and private sector economic development and employment and training practitioners, including representatives of local governments, the Ten County Private Industry Council, the Five County Area Development District, the Chamber of Commerce of Boyd and Greenup Counties, and area educational institutions, utilities, and industries. As the lineup indicates, there is both overlap and program fragmentation in the area.

These discussions led to the creation of the Joint Economic Development Council of Boyd and Greenup Counties in January 1985 to coordinate the various players in the economic and employment process. The Joint Council's 28 public and private sector members reflect the involvement of the utility companies, area lenders, area business and industry, city and county government, the area development district, educational and vocational training institutions, job training agencies, and the Chamber of Commerce. It is staffed by the Economic Development Coordinator of the City of Ashland, with assistance from the staffs of the various institutional and business members.

The Joint Council is establishing a Business and Job Development Center with two goals:

- To set up a comprehensive job retention and creation program
- To link job development to the needs of displaced and economically disadvantaged workers

The City of Ashland and the Joint Council requested technical assistance in the following areas:

- Reviewing existing area economic development and employment and training service delivery capabilities; identifying appropriate areas for development of BJDC programs
- Making recommendations as to appropriate organizational and programmatic structures for the BJDC

The site visit team found that the Joint Economic Development Council was an excellent beginning of an organizational linkage — an effort to coordinate all existing area development and training resources to improve the economy of Boyd and Greenup Counties. It was recommended that the Joint Council complement existing agencies by serving as a broker of those services currently being offered elsewhere. It should identify and fill service gaps, and it should function as the vehicle of public/private collaboration through which area needs are identified and crystalized, strategies evaluated, and resources marshalled. It was further recommended that the highest priorities of the Joint Council be the retention and expansion of existing local industries and the support of small business initiatives.

Several functions were recommended for the Business and Jobs Development Center, including those of an information clearinghouse, a data assembler as gaps are identified, and a direct provider of services not offered elsewhere. BJDC's direct service functions should concentrate on improving the market position of existing local business by focusing on market development and productivity enhancement. Maintaining or improving market position would foster job retention and creation.

Specific program elements recommended for consideration included export and government procurement assistance programs, a local purchasing campaign, management assistance services, and upgrading existing employee skills through cross-industry training programs at area educational institutions. This last recommendation was in response to the concern expressed by several industry representatives that they are individually unable to provide their supervisory and production personnel with instruction in the modern techniques needed for their businesses to remain competitive.

Glendale, California

Glendale is an established city on the northeastern border of Los Angeles. Along with Burbank and La Canada-Flintridge, it is part of the Verdugo Consortium Service Delivery Area for the JTPA program. Glendale's population is just below 150,000, while the total population of the Verdugo Consortium is approximately 250,000. The city has recently undergone rapid demographic change due to a large influx of immigrants. Glendale's economy is based primarily on service industries and retail sales, although it also has a significant industrial sector.

One year ago, the city manager consolidated responsibility for several grant programs into the Department of Community Development. The department administers JTPA funds for the city, which is the grant recipient, and also carries out community development functions, including the administration of Community Development Block Grant funds. Employment and training programs are implemented by the private industry council, which is very active and takes a lead role in developing the labor force for Glendale's anticipated future. For example, the PIC established a teller training program to better serve Glendale's increasing financial services industry.

The community development function previously had been handled by the Glendale Redevelopment Authority; it was relocated, in part, to allow GRA to concentrate on the economic development role it has played in recent years. The GRA, established in 1972, had designated a large portion of the traditional downtown retail core as a redevelopment area. With the active participation of the business community, the GRA had embarked on an ambitious effort to retain and expand Glendale's retail base, as well as develop sizable financial service and office sectors. Galleria I and II and other retail developments are now in place, and Glendale's retail sales performance is healthy. The first wave of large office buildings is on line, and indications are that leasing is proceeding satisfactorily. A number of large projects are beginning construction, and several others are planned. The GRA recently granted the PIC $500,000 for skills training for businesses locating in the redevelopment area. This offers a significant opportunity to link Glendale's development and training objectives.

With the redevelopment area proceeding as planned, the focus is now beginning to shift to other areas of the city. One area receiving attention is the industrial corridor in southwest Glendale, which comprises the border with Los Angeles. The city has applied for state enterprise zone designation for this area, the only remaining site of assembleable parcels for industrial development in Glendale.

One question is whether this area should continue to function as a diversified zone of small-scale, light manufacturing and warehousing users, or whether it should undergo some type of systematic redevelopment into a zone of a few larger, technologically-oriented research and development users. Partly in support of this latter use, a training center has been proposed which would focus on emerging technologies, such as laser applications and computer-assisted design and manufacturing.

The Department of Community Development requested technical assistance in the following areas:

- o Identifying problems and needs of the industrial sector, with particular attention to the southwest Glendale industrial corridor
- o Reviewing existing area economic development and employment and training capabilities; identifying possible additional programs
- o Exploring ways in which Community Development Block Grant funds could be used further in support of economic development and employment-training linkages

The site visit team recommended that the city look for ways to use CDBG funds for linkage purposes. Specifically, they recommended that Glendale fund a business liaison position to develop better information on local industries, serve as a central business information source, and identify hiring opportunities for JTPA eligibles. In addition, they felt that several other service functions should be explored, including an entrepreneurial support program and local purchasing and subcontracting programs. Such initiatives could include first source hiring or purchasing agreements with those firms receiving public development subsidies.

The team also recommended that strategies for the future of the city's industrial corridor consider its potential as a small business incubator. Then, the development and training needs and resources of the area can be appropriately marshalled. For example, if the decision is made to redevelop the area into a high technology research park, appropriate ordinance and zoning changes need to be made reflective of that end. A further recommendation was made that development of the proposed technological training center be guided by the strategies considered for the industrial corridor and that the center be used to improve employment opportunities for Glendale's disadvantaged population.

Dallas, Texas

Dallas is a well-known example of business-initiated, public/private partnerships. Coalition-building, the "Dallas Way" of dealing with public issues, usually involves four steps:

1) An issue is identified, by the citizenry, public officials, or the private sector.
2) Its magnitude and parameters are investigated by an ad hoc task force which includes both public and private sector representatives.
3) Specific implementation strategies are generated, as a result of the task force's recommendations and public response.
4) The proper mechanisms and structures – either new or existing – are put into place to implement the accepted recommendations.

Dallas is in a period of sustained economic growth. Its unemployment rate is consistently only half the national average. Dallas led the country in the volume of new construction activity and new housing starts over the past year. The city is attracting many computer and electronics-based research and development and manufacturing businesses and is undergoing a downtown construction boom, including the development of an arts district. A light-rail mass transit system is also being planned for the next decade.

While the Dallas economy is booming, however, the benefits are not being reaped in all corners of the city. The northern half of the city is experiencing the bulk of the boom, while the southern half of the city, with its "pockets of poverty" and sizable lower-income minority population, is lagging far behind.

In August 1983, the Mayor's Task Force on Housing and Economic Development in Southern Dallas began a six-month investigation of ways to ameliorate this discrepancy. The public/private panel, with a high level of community participation, examined strategies for improving the identified "pockets of poverty" within southern Dallas. The Task Force recommended three new agencies to serve as tools for focusing development in southern Dallas: an economic development corporation, a housing finance corporation, and a health facilities corporation.

In Dallas, businesses are said to operate both to maximize their profits and to benefit their community. Business groups such as the Dallas Citizens Council, the Chamber of Commerce, and the PIC are very active in efforts to improve Dallas' economic, social, and cultural climates. Civic pride drives an intense desire to position Dallas as an international and truly world-class city, and residents believe that an important element of achieving this goal is the ability to solve the equity distribution problems among the Dallas population.

Public commitment to the development of southern Dallas is sufficient incentive for businesses to get involved, through such means as the hiring of southern Dallas residents. For example, the use of industrial revenue bonds is being targeted to development of employment opportunities. Although strictly mandated hiring formulas or other performance standards are viewed as unnecessarily irritating and intrusive to businesses, hiring projections of unemployed area residents are required, as is a demonstration of serious intent to fulfill them.

Linkage Decision Tied to Economic Situation

The three case studies illustrate how different types of economies can give rise to different types of linkage strategies. Ashland, partly because it is too small to justify an independent effort and partly because its core industries are regional, is focusing on the Boyd and Greenup Counties area in its linkage efforts. This focus necessitates coordination among all of the different jurisdictions involved. The linkage efforts are concentrated on strategies to expand the market for the area's existing manufacturing industries and to enhance the productivity of its existing work force.

Glendale is experiencing a transition in its economy. The recent fortification and expansion of its retail and service sectors have brought a new set of labor skill requirements. Linkage efforts center on ways to fulfill these labor force needs and to provide opportunities for Glendale residents to benefit from the economic uplifting which is occurring. In addition, attempts are being made to foster both the capital and the labor force improvement required for Glendale residents to participate in the growth of technologically oriented industries.

Dallas, the beneficiary of a robust economy, is attempting simultaneously to sustain its growth and ensure that all segments of its populace reap the benefits of that growth. Its linkage efforts revolve around a combination of civic pride, which assumes a commitment toward the improvement of all aspects of Dallas, and a targeting of development toward those areas which most need to benefit from the city's overall economic growth.

SETTING UP INSTITUTIONAL LINKAGES

Several general factors will determine the realistic possibilities of establishing institutional linkages between a city's economic development and employment and training functions. Key among these is political sponsorship. In some instances, any attempt to combine or coordinate departments or functions will be construed as a dilution of authority or autonomy, and will therefore be resisted, despite its worthiness. Linkage has a better chance of succeeding if it originates at either a sufficiently high level of the local government or at a powerful enough level of the business community to provide the political strength to weather the potential infighting and positioning among the bureaucracies and organizations affected.

In Glendale, for instance, the city manager was the impetus behind the restructuring of development and training functions into the Department of Community Development. In San Antonio, the election of a new city council strongly commited to job creation for low-income residents led to the integration of the economic development and employment and training departments, and to the emphasis on job creation in the awarding of public financial resources.

Not only must the initial impetus come from powerful enough quarters, but it must receive ongoing political commitment. While linkage should eventually become a matter of perceived community self-interest, successful institutionalization is more likely if it is seen as a priority of a particular department, at least at the start. Nevertheless, early efforts must include all of the various governments that will be involved. In Boyd and Greenup Counties, Kentucky, for example, the Economic Development Coordinator for the city of Ashland, in discussions with the leaders of the local PIC, recognized that linkage efforts would likely be most successful if the leaders of all of the local jurisdictions were brought into the effort in its very formative stages.

Another key to successful linkages is the extent of private sector involvement (if not private sector leadership). Recognizing the pivotal role which business decisions play in the success of any area's development or redevelopment efforts, the private sector must be brought into the linkage strategy at the earliest point possible.

This often poses some delicate problems. Where the business community has historically played a key role in setting public policies and priorities, the business community will already be at the forefront of any linkage effort. In fact, as in Dallas, informal public/private sector development and training linkages will likely be an integral piece of the economic development landscape. But, in those cities where the business community has not been heavily involved in the process of determining public policy, a "we-they" mentality often exists. In such cases, business leaders may perceive linkage efforts as merely the creation of another layer of bureaucracy. The PIC may be an ideal instrument for overcoming business wariness and spearheading private sector involvement.

Institutional Issues

Many institutional issues must be addressed when evaluating the feasibility of establishing linkages. Answering the following questions will help define the organizational landscape in which linkages must be formed, thus providing a means for evaluating the feasibility of establishing certain types of linkages.

- How is economic development defined or understood?

  In some cities — particularly southwestern or western cities such as Glendale — economic development is very closely tied to real estate development or redevelopment. Employment and other benefits are seen primarily as spinoff benefits. In other areas — often older or more industrialized areas — economic development is defined in a broader way to include a wide range of coordinated business, market, and entrepreneurial enhancement strategies. How employment and training fits depends in large part on what it fits into.

- Who (if anyone) does traditional economic development and employment and training?

  Is there a public or private sector agency or group which performs some of the more familiar economic development functions such as economic data collection, facility location assistance, management assistance, development bond issuance, revolving loan funding, etc.?

  Which are generally perceived to be the lead agencies in each subject area? They may be public or private sector, or the functions may be divided between the two. For instance, the local chamber of commerce may take the lead in business prospecting, while the city's economic development department may be the main actor in negotiating potential development incentives.

- What economic development and employment and training services are currently being offered?

  What specific programs make up the range of services available in the community, both from those agencies perceived as the lead agencies and from other groups? Equally as important, what are the perceived service gaps faced by the community? Linkage possibilities exist either in relationship to an activity currently carried out or possibly as a gap-filler — where an employment and training agency can fill a development role not otherwise being filled.

- Are the two lead agencies generally mutually familiar?

  To some extent, the ability for the two lead agencies to work together is based on their familiarity with one another's programs and capabilities. This familiarity is important at both the staff and at the administrative levels.

- Do the two agencies share trust and confidence in one another?

  Will the agencies work together on projects from their very inception? For example, will the economic development director consult with the employment and training director on a confidential issue such as a proposed business relocation?

- Do the lead economic development and employment and training agencies have control over the major funding sources, such as CDBG and JTPA?

  This answer may be key to the degree of autonomy with which an agency is able to function or, conversely, the degree to which its function is hamstrung by political considerations. For example, Glendale's Department of Community Development administers its CDBG funds, and hence can potentially target them for economic development purposes. San Antonio's Department of Economic and Employment Development, on the other hand, does not control that city's CDBG funds, which are administered out of the Budget Department. This shields the department from an annual political battle over the apportioning of these funds to the various interested community groups, but also gives it less control over allocation.

- What is the role of the private sector in the provision of economic development and employment and training services?

  As noted previously, the private sector may take the lead in some or all portions of these program areas. An active private sector is required in the JTPA program with the provision requiring private industry councils to have a minimal business membership of 51 percent.

- What is the self-perceived role of the PIC? Is it strong?

  Different PICs behave in different manners, and they also enjoy significantly different degrees of power. The suspicion that these two consequences are closely related is not unreasonable. Some PICs see their role as being closely delineated by the letter of the JTPA regulations. Others, such as in the Verdugo Consortium, which includes Glendale, see their JTPA role in the broader context of preparing their labor forces for the future market envisioned for the area.

- Is the PIC involved in economic development?

  A number of PICs — such as Baltimore, Maryland, and Buffalo, New York — state explicitly in their plans that their role includes helping foster economic development, and they utilize a portion of their available funding for those purposes. This may be done in a number of ways. In Glendale, for instance, the Redevelopment Agency is granting the PIC $500,000 for skills training to support those businesses which are locating within the redevelopment area. In the Ashland, Kentucky, area, the TENCO PIC is allocating 2 percent of its budget for a needs assessment survey and other types of data collection which will allow the needs of local business to be better served.

The self-analysis necessitated to answer the above questions will go a long way toward evaluating an area's existing development and training strengths and weaknesses. This introspection is a required first step before linkages can be appropriately designed for a particular locality.

SELLING THE LINKAGE CONCEPT

No matter how much sense linkage makes, and even if it looks feasible, it usually must still be sold to:

- The agencies which will be involved
- The public officials with authority over those agencies
- The local (and potential) business community

Selling Linkage to the Agencies Involved

If the agencies involved are not the original proponents of the linkage initiative, they will have to be convinced of its value to them. Linkage sponsors will have to demonstrate to them that the role of each agency will be enhanced — rather than threatened or diminished — by the increased effectiveness that linkage offers through the ability to leverage funding and programs by those of the other agencies or departments which will be linked. Economic development agencies must be confident that the employment and training agency will perform effectively — that is, will deliver what businesses need in a timely fashion without red tape. The employment and training agency, on the other hand, must be confident that linkage will lead to jobs for the unemployed persons it serves.

Where there are firmly entrenched and/or politically partisan bureaucracies, selling linkage may be especially difficult. There is also potential for objections to the establishment of linkages due to structural differences between the agencies involved. For example, a number of economic development agencies are financially dependent upon the fees attached to the industrial revenue bonds which they issue. Hence, they are interested in issuing as many bonds as possible and are hesitant to attach to these bonds any employment and training requirements which may be seen as restrictive, thereby reducing the volume of bonds which they issue. This is different from those economic development agencies which manage revolving loan funds and may be less concerned about linking these funds to various training incentives.

Selling Linkage to City Officials

If the elected or top appointed public officials have not been involved in developing and sponsoring the drive to establish linkages, their support will have to be secured. This will be easier if, as is the case in the Ashland area, the impetus has come from within the city manager's or another high-level administrative office. It will have to be demonstrated that the proposed linkage measures will be more effective in furthering the city's development and training goals than both functions would be as currently constituted. Further, officials must be convinced that the efforts would either be worth the additional expenses or would actually be cost-cutting measures.

Another potentially effective sales point to city authorities may be the progressive image which innovative linkages could give to the city if marketed correctly and aggressively: Dallas reaps the benefits of its reputation as an easy town in which to do business. San Antonio profits from the strong marketing effects of their mayor's public commitment to attracting innovative medical and telecommunications technology industries.

Selling Linkage to Local and Potential Businesses

Businesses can be both leaders and beneficiaries of linkage. Support of linkage initiatives by the business community is extremely important. It may be accomplished more easily in communities with activist business organizations that play a leadership role in defining and pursuing civic goals. In any case, this support will probably need to be solicited.

The business community in any city is certainly not an homogenous entity. It can be divided in any number of ways: small or large employers; activist or non-activist in civic affairs; growing, stable, or shrinking in size; involved or uninvolved in existing publicly offered assistance or incentive programs. Regardless of how the busines sector is comprised, the enhanced capabilities due to the linkages which have been set up need to be aggressively marketed.

This is primarily a matter of publicizing the services available through both the development and the training departments. The cross-marketing or joint marketing by each department of the services available through the other will increase the market for each department's programs, and essentially leverage the city's resources. Employment and training services should be viewed and marketed as one of the area's chief development incentives. The result may well be an increased ability to attract new firms, as well as a coordinated ability to marshal the available resources in business retention efforts. Whatever the marketing effort, however, actually serving the needs of area businesses is the critical factor in determining their satisfaction.

USING JTPA TO PROMOTE LINKAGE

The Job Training Partnership Act is the principal employment and training program at the federal level, designed to use the business community to oversee and direct the training of eligible unemployed and underemployed individuals to fill actual jobs. In this way, JTPA is intended to meet the goals of both the businesses and individuals involved. In many instances, states and localities fund and administer their own employment and training programs as well, often through community colleges, vocational school networks, or state employment services. The variety of state- and locally-run employment and training programs makes any general discussion of their application difficult, but certainly available programs should play key roles in any linkage strategy being designed.

JTPA replaced the Comprehensive Employment Training Act on October 1, 1983, and was phased in over a nine-month transition period. The first full program year began on July 1, 1984, and ended on June 30, 1985. While it is too early for the first full program year to be systematically evaluated, preliminary analysis of the transition period provides an indication of the extent to which JTPA is performing up to the expectations of its proponents.

JTPA's Suitability to Linkage

In many ways, JTPA represents a radical departure from the concepts which underpinned CETA. There are several important differences between the two programs which make JTPA particularly well-suited to linkage.

- First, as stated earlier, private sector involvement in the JTPA planning process is mandated through the 51 percent private sector requirement for the PIC boards. Early analyses indicate that the private sector's perception of the program is generally positive, in large part due to this involvement. Most of the PICs are taking an active role in determining JTPA funding priorities.
- JTPA also mandates a substantial role for states as the overseers of the system. State Job Training Coordinating Councils, appointed by the governors, aid in designating local service delivery areas, developing statewide training plans and programs, and approving and monitoring local plans and programs. At least one-third of the SJTCC's membership must come from the private sector. The SJTCC provides an ideal opportunity for linking or leveraging state and local development and/or training programs and financing mechanisms. Initial study of JTPA shows, however, that this opportunity is often not taken advantage of, due perhaps to the newness of the system or to organizational positioning between the two levels of government.
- Public service employment is specifically prohibited under JTPA. Regardless of the possible consequences of this elimination, it leads to a heightened need to involve and be responsive to the employment needs of the private sector. Thus, JTPA is oriented toward meeting the employment needs of the local business community clients. In other words, JTPA's design puts primary emphasis on securing definite employment slots for which workers will then be trained.

Working within JTPA's Restrictions

JTPA's provisions are both flexible and subject to interpretation, allowing a high degree of creativity in the design of methods by which economic development and employment and training can be linked. Title II is the principal source of local funding. Its objective is to support activities that lead to private sector jobs for the economically disadvantaged. Seventy percent of Title II funds are designated for training activities; the remaining 30 percent non-training portion is divided between administrative costs and participant support costs. No more than 15 percent may be spent on administrative costs. Each category has its own uses and limitations, yet each maintains enough flexibility to allow linkage activities.

Use of Non-training Funds

While the 15 percent cap on administrative costs and the overall 30 percent limit on non-training expenses under JTPA has led to careful deliberation as to fund use, localities are finding that they have considerable flexibility. Funding is possible for a wide range of employment-generating services that improve employment opportunities for JTPA-eligible persons. The allowable uses of these funds include:

- Small business management or entrepreneurial technical assistance
- Data collection and baseline economic research
- Marketing campaigns to facilitate existing firm expansion
- The marketing of recruitment and training services
- Staff and overhead expenses for development or training agencies

Use of Training Funds

Although JTPA can be used to fund employment-generating services such as those listed above, its greatest potential lies in the contribution it can make as a training program. Development professionals are increasingly recognizing the critical importance which a well-trained labor force and a variety of employment and training services play in business attraction and retention decisions.

Cities have considerable latitude in determining how to use their JTPA training funds, and this allows excellent opportunities to link with economic development programs. Uses of these funds particularly well-suited to linkage efforts, include:

- Customized training services for expanding or new employers
- Wage subsidies for employers who train new employees under an on-the-job training program
- Entrepreneurial development assistance to unemployed individuals
- Skill upgrading of the existing labor force, in some cases

Title III of JTPA provides funds for programs to re-employ dislocated workers. It can be critically important in communities where economic adjustment is a high priority.

Leveraging JTPA Funds

JTPA funds are very well-suited to leveraging other sources of funding, particularly because of the mandated private sector, state, and local input to JTPA planning and programs. On the federal level, JTPA funds can be used in support of other economic development programs, such as the Department of Housing and Urban Development's Urban Development Action Grant, the Small Business Administration's Small Business Development Center program, and the Economic Development Administration's planning grant program. In the Ashland area, for instance, these last two programs were considered as possible funding sources for elements of their Business and Job Development Center concept.

JTPA can also be used in combination with other employment and training programs. On the federal level, the recently passed Carl D. Perkins Vocational Education Act is designed, in part, to work in conjunction with JTPA. It provides a number of points of coordination and also sets aside 12 percent for adult training and retraining, which must be coordinated with JTPA-funded activities.

JTPA can also leverage state employment and training funding. Kentucky's Bluegrass State Skills Program is a good example of the many state-level job training programs. Established one year ago, it can provide money statewide for four program purposes:

- Non-targeted entry level training
- Retraining
- Upgrading of existing work-force skills (which must result in at least a 5 percent salary increase for participants)
- Advanced training

A number of state financing programs which are not primarily employment and training programs combine well with JTPA. Examples include:

- State enterprise zones: In Illinois, for example, some JTPA displaced-worker funds are targeted for use in designated state enterprise zones.
- State bond issues: State agencies, such as New York's Job Development Authority, issue state-guaranteed bonds to raise capital for loans for industrial and certain commercial development which results in the creation of jobs.
- Loans and grant programs to businesses: In Texas, for example, when reviewing CDBG economic development projects for funding, a committee awards additional points to projects which provide training opportunities and jobs for JTPA-eligible residents.
- Tax relief: Site-specific local tax relief measures can also be linked with other programs for purposes of job creation and economic development.

INGREDIENTS FOR SUCCESS

Investigation of a number of successful and evolving linkages has led to the identification of several key elements common to their success. Linkages may be formalized and institutionalized — as they are in Glendale. They may be informal and flexible — as in Dallas — but, beneath these differences, there are a number of important similarities. Not every element is needed in each linkage situation, but their presence will increase the likelihood of the effort's success:

- Key an area's linkage strategy to the prevailing social, economic, institutional, and political conditions in the area.
- Build on existing institutional and organizational strengths — the wheel need not be reinvented.

- Identify and rally support behind general goals of the linkage effort, and pinpoint specific issues upon which to focus.
- Secure high-level political sponsorship of and commitment to linkage from mayors, city managers, county executives, governors, and other elected officials.
- Involve the private sector as much as possible, working both with individual businesses and through established business organizations such as chambers of commerce.
- Get advisory boards — such as PIC and SJTCC boards — to be supportive of linkage and to explicitly state it as one of their goals.
- Make the two lead agencies mutually familiar and involved through techniques such as shared staffing, common meetings, and cross-training.
- Link funding sources. Try to use as many different financing tools as possible: public/private, federal/state/local, and development/training.
- Develop a central data repository which shares and distributes data among the linkage agencies. Gaps in data should be identified and filled.
- Aggressively market all brokered and direct services available through the linkage elements. Market for both local businesses and targeted non-local businesses.

SUMMARY

This report has attempted to illustrate by way of example how linkages are being developed in several different economic environments to ameliorate business and social problems, to facilitate business base expansion and diversification, to foster entrepreneurship and small business development, and to assist in the attraction and retention of businesses.

It can safely be stated that those communities which have established some type of development/training linkages are finding that those linkage structures are helping to focus the resources of the community and allow it to make its best attempt at solving its economic problems. The linkage creates a whole greater than the sum of its parts, in terms of effectiveness in carrying out the missions of both economic development and employment and training agencies. By unifying these two pieces of the development picture, a community only stands to benefit.